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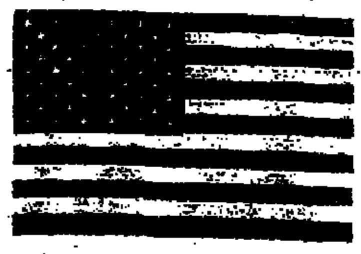

US economy
Vulnerable to a market plunge
Martin Wolf, page 16

Polish banking
Mega merger slows privatisation
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Internet access
CompuServe and MSN go standard
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Siemens
Taking on Fanuc on its Asian turf
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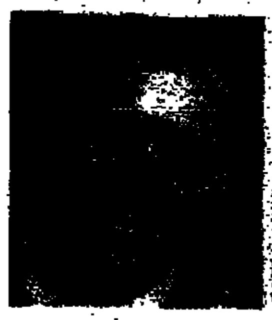

All that glitters
● Fresh revelations in exclusive extracts from a new book on the fall of Barings

From tomorrow in the FT

Finnish PM says Nato enlargement threatens Baltics

Finnish prime minister Paavo Lipponen warned that the process of Nato enlargement risked isolating the Baltic states of Estonia, Latvia and Lithuania. Finland and Sweden, which are neutral, fear a decision either way on Nato membership for the three newly-independent states could destabilise the Baltic area. Instead, they are seeking to entrench regional security through broad co-operation, ranging from trade to joint crime fighting, rather than through military alliances. Page 18

Olivetti results questioned: Shares in Olivetti fell a further 10 per cent after magistrates confirmed they were investigating allegations that the Italian information technology group had published misleading half-year results. Page 19; World stocks, Page 38

Irish press group in $710m NZ bid: Tony O'Reilly's Independent Newspapers of Ireland embarked on its biggest deal – a I£442m ($710m) for the 55 per cent of Auckland-based newspaper and magazine group Wilson and Horton, which it does not already own. Page 19

Italian rail chief held: The chief executive of Italy's state railway company, Lorenzo Necci, was arrested as part of an investigation into allegations of corruption, embezzlement, fraud and abuse of office. Page 18

Samsung may rescue Fokker: A rescue of failed Dutch aircraft maker Fokker grew more likely as Samsung Aerospace Industries, part of the large South Korean conglomerate, said it had issued a letter of intent to take over the company. Page 19

BT plans German venture: British Telecommunications is in negotiation with the Kirch Group to launch interactive services using digital satellite television in Germany. Page 19

Footsie at closing high: Another strong early performance from Wall Street helped the FT-SE 100 index reach a closing high of 3,977.2. The Dow Jones Industrial Average was 41.8 points ahead by lunchtime at 5,880.33. In Frankfurt, the DAX hit a new peak of 2,630.24. On a wing and a prayer, Page 16; London stocks, Page 34; World stocks, Page 38

Yeltsin stays in hospital: Russian president Boris Yeltsin, who is to undergo heart bypass surgery this month, will stay in hospital until tomorrow for preliminary medical tests. Page 2

Anti-dumping move 'threatens jobs': British textile producers warned that an anti-dumping action due to be announced by the European Commission could threaten thousands of jobs in Europe. Page 11

Mercedes clinches $95.5m China deal: Daimler-Benz reached a $95.5m deal with Yangzhou Motor of China to build Mercedes tourist buses. Page 4

Russian power workers strike: More than 16,000 Russian power plant workers in the Far East went on strike, threatening to cut off power to Russia's troubled Pacific Rim. Page 2

Acer to expand in Philippines: Taiwanese computer maker Acer said it would quadruple investment in its Philippine motherboard assembly plant with the aim of generating $1bn a year in exports by 2000. Page 4

Zhu defends China's economy: Zhu Rongji, China's senior vice premier, defended the country's economic policy, saying the economy was performing better than at any time since the boom year of 1993. Page 18

Mother Teresa back in hospital: Mother Teresa, 86, returned to hospital in Calcutta after bruising her face in a fall from her bed at the headquarters of *her charity for the destitute.*

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■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,881.80	(+43.28)
NASDAQ Composite	1,196.63	(+7.96)
Europe and Far East		
CAC40	2,086.19	(+5.82)
DAX	2,629.87	(+33.91)
FT-SE 100	3,977.2	(+9.3)
Nikkei	closed	

■ US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.194%
Long Bond	97¼
Yield	6.949%

■ OTHER RATES

UK: 3-mo Interbank	5¾%	(same)
UK: 10 yr Gilt	96⅞	(96⅜)
France: 10 yr OAT	107.61	(107.39)
Germany: 10 yr Bund	100.49	(100.16)
Japan: 10 yr JGB	108.7132	(same)

■ NORTH SEA OIL (Argus)

Brent Dated	$22.545	(23.51)

■ GOLD

New York Comex		
Dec	$386.3	(385.6)
London:		
close	$382.8	(383.2)

■ DOLLAR

New York lunchtime		
£	1.55635	
DM	1.511	
FFr	5.1375	
SFr	1.24	
Y	110.2	
London:		
£	1.5568	(1.5544)
DM	1.5095	(1.5124)
FFr	5.15	(5.1575)
SFr	1.2398	(1.2408)
Y	110.385	(110.425)
Tokyo close:	Y closed	

■ STERLING

DM	2.35	(2.3509)

Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lits 18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira120	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3300	Oman	OR1.75	Switz	SFr3.70
Estonia	Ekr 28	Japan	Y500	Pakistan	Rs50	Syria	S£90.00
Finland	FM16.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils.750	Portugal (m'land)	Es265	Turkey	L120,000
Germany	DM4.00	Lebanon	U.S.$00			UAE	Dh13.00

Move to wipe out BSE within three years expected to exert fresh pressure on UK

Swiss to cull up to 230,000 cattle

By Frances Williams in Geneva, Caroline Southey in Brussels and Alison Maitland in London

The Swiss government yesterday announced plans to slaughter up to 230,000 cattle – one in eight of its total herd – with the aim of eradicating mad cow disease in Switzerland within three years.

The country has had 223 cases of cows affected by bovine spongiform encephalopathy, the brain-wasting disease scientists say may be linked to a new variant of its human equivalent, Creutzfeldt-Jakob disease.

It is the second largest number officially reported in any country after Britain, which has had over 168,000 cases.

The decision is certain to increase pressure on Britain from its EU partners to go ahead with a far-reaching cull of its cattle herd as a condition for lifting the worldwide export ban on British beef.

EU farm ministers meeting today in Brussels are expected to reject British plans to reduce the selective cull of 125,000 cattle, just 1.1 per cent of the herd, setting the scene for a fresh confrontation between the UK and its EU partners.

Britain has already destroyed half a million cattle since May as part of its policy of removing animals over 30 months old from the food chain.

UK officials say eliminating BSE overnight would involve the slaughter of over half the country's dairy herds and 15 per cent of its beef herds. They say that is politically unacceptable as the disease is expected to disappear in five years.

Even with a mass cull, the Swiss may find total elimination difficult – 609 cases of BSE have appeared this year on British farms never before affected by the disease.

The Swiss cabinet said yesterday it was proposing the slaughter of all cattle born before December 1 1990, when Switzerland introduced a ban on the use of ruminant carcasses in cattle feed. It is also recommending the slaughter of the direct offspring of BSE-infected cows.

The slaughter programme is to be completed by June 1999, but animals destined for the cull will be withdrawn from the meat market as soon as parliament approves the measures, probably in December.

The Swiss economics ministry said yesterday the cull was aimed at establishing Switzerland as a BSE-free nation and restoring consumer confidence. It is also designed to persuade Germany and Austria, along with 14 other countries, to lift their ban on Swiss beef and beef products.

Three new cases of BSE were reported last week in Switzerland. Nearly 40 cases have occurred there this year.

An EU investigating team that looked at the BSE situation in Switzerland this spring blamed the outbreak on imports of infected feed from Britain and concluded that the disease was under control.

The scheme will cost the Swiss government about SFr320m ($266.60m).

Software leaders reignite battle for the future

By Paul Taylor in Paris

The battle of the "software billionaires" flared again yesterday as Mr Larry Ellison, chairman of Oracle, the US database software group, and Mr Bill Gates, chairman of Microsoft, the world's largest software company, unveiled competing visions of the future of computers.

Mr Ellison said his vision of a "network computer" was designed to break Microsoft's dominance of the PC industry.

Mr Ellison, who launched the concept of a network computer – a low cost, simple to use computing device built around openly available Internet software standards – a year ago, said yesterday that he expected network computers based on Intel microprocessors to be launched later this year.

He said the much anticipated "information age" would not arrive until personal computers were as common as television sets. In the US, 97 per cent of households have televisions compared with the 30 per cent with PCs. The percentage of consumers indicating an intention to buy a PC has halved in the past 12 months, which Mr Ellison attributed to their cost and complexity.

However, he emphasised that the stripped down personal computers, which will function primarily as communications devices, will not require Microsoft operating and application software.

"They will be personal computers with a lot of things taken out of them," he said. "The hardware will be the same, but the software will be different."

Mr Ellison and Mr Gates were addressing the annual *International Data Corporation* European IT Forum in Paris – the same meeting where Mr Ellison predicted a year ago that network computers would represent "a fourth wave" of computing after the mainframe, minicomputer and personal computer eras.

His predictions that a raft of network computers costing as little as $200 each would be announced within the year have been fulfilled.

Among the companies which have announced the devices are International Business Machines, Apple Computer, Sun Microsystems and Olivetti. However the industry remains split over the concept.

While Mr Gates remains sceptical of the network computer, which he described as "Larry's silly idea" a year ago, the Microsoft chairman has modified his views.

Yesterday he agreed that computers were difficult to use and that the cost of ownership was too high. He said

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Swiss foreign minister Flavio Cotti (right) with Lili Nabholz, president of the parliamentary commission for questions of law, at a Berne news conference on the issue of Nazi gold deposited in Swiss banks. Report, Page 2

Goldman doubles nine-month profits to $1.8bn

By John Gapper in London and Tracey Corrigan in New York

Goldman Sachs, the big US investment bank, yesterday disclosed that pre-tax profits in the first nine months of its financial year were double those of the equivalent period last year, putting it in reach of a previous record profit.

The doubling of pre-tax profits to $1.86bn from $931m in the same period of 1995 is likely to earn each of Goldman's 175 general partners more than $5m this year in personal capital, which is held in the firm until retirement.

Goldman's earnings have been boosted by the wave of mergers and acquisitions in the US and Europe as well as a strong US equity market. In addition, it is no longer burdened by earlier cost-cutting and restructuring.

Goldman will announce today that Mr John Thornton, one of its leading European mergers and acquisitions specialists, is to become head of its Asian operations. Mr Thornton will also join Goldman's six-man executive committee.

The appointment means two members of the committee, which runs day-to-day operations, are based outside the US. Mr John Thain, its chief financial officer, is based in London.

In a letter to Goldman's 8,700 staff, Mr Jon Corzine and Mr Henry Paulson, its chairman and vice-chairman, said this reflected "dramatic increases *in the pace, complexity and* geographic reach of our business" in recent years.

Mr Thain said earnings had been strong "pretty much across the globe", and bond and foreign exchange operations were both profitable. Asset management, which Goldman is trying to expand, had only produced modest profits.

Mr Thain said the outlook for earnings in the US was strong because the economy was still growing healthily. Profits to date put it on course to nearly match its record profits of $2.7bn in 1993.

The firm's financial year-end falls on November 30. All its post-tax earnings are split among the general partners, after paying a return on capital held in the firm by retired partners and outside investors.

The general partners are paid about $200,000 a year each as well as seeing a return on *their capital. Their biggest* reward accrues in the form of personal capital, which can be withdrawn gradually after they leave the firm.

Because of this structure, Goldman has less difficulty than other Wall Street firms in keeping hold of senior staff although its juniors have been aggressively recruited this year.

Britain warned US will not alter air deal terms

By Michael Skapinker, in London

Britain will have to drop its insistence that foreign airlines be allowed to fly within the US if it wants an "open skies" deal with Washington, according to Mr Robert Crandall, chairman of American Airlines.

The US had already agreed treaties with Germany and other European states, Mr Crandall said yesterday, and there was no prospect of a "materially different" deal with Britain.

The US has made an "open skies" agreement a condition for granting anti-trust immunity to the proposed alliance between American and British Airways, which would allow the two carriers to co-ordinate their operations.

Negotiations broke down last month after British officials said they wanted changes to the 11-point "template" the US had used in open skies talks with other countries.

In particular, Britain resisted Washington's demand for "beyond rights", which would allow US airlines to fly from the UK to third countries. Britain said it was unfair for the US to demand beyond rights when British carriers had no right to fly within the US or to own more than 25 per cent of US carriers.

However, Mr Crandall said in an interview that there was no prospect of the UK winning concessions. "The US government has signed these agreements with a substantial number of European countries: the Germans, the Dutch, the Austrians, the Belgians. The US government cannot do a deal with the UK government which is materially different from those transactions. As a matter of *realpolitik*, if the US government did a different deal, the wheels would come off," he said.

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He added: "The issue is quite simple: is the British government prepared to do an open skies agreement that essentially mirrors the deals that the US has done with other countries or is it not? It isn't very complicated. The answer is either yes or no."

Mr Crandall said the UK should drop its demand for UK carriers to be allowed to carry passengers between US cities – known as "cabotage". Mr Crandall said: "There's no point in talking about it any more. That isn't going to happen. The labour unions in the

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Krajisnik could become chairman of tripartite Bosnian presidency

Hardline Serb may take top post

By Laura Silber in Sarajevo

Mr Momcilo Krajisnik, a hardline Bosnian Serb politician who chaired the "parliament" of the breakaway regime in Pale, was on course yesterday to be a member of Bosnia's new collective presidency, and possibly its first chairman.

Mr Krajisnik emerged from Saturday's election as the clear winner of the race to be Serb representative on the presidency, while Mr Alija Izetbegovic, the current head of state, was due to be elected to speak for the Moslems. The full results of the poll are expected today.

Incomplete results from eastern Bosnia showed that Mr Krajisnik had gained 84 per cent of his community's support, while Mr Izetbegovic, candidate of the SDA Moslem nationalist party, had an advantage of roughly 80-20 over his rival, the former prime minister, Mr Haris Silajdzic.

Mr Silajdzic has been campaigning on a platform of ethnic harmony in a united Bosnia.

If the complex electoral process confirms Mr Krajisnik as the chairman of the tripartite presidency, which will also include a Croat, the result will be an embarrassing blow for western policymakers.

Saturday's elections were intended by the architects of the Dayton peace process to knit together, albeit loosely, the Bosnian state which Mr Krajisnik and his fellow Bosnian Serbs have fought to partition.

International observers insisted yesterday that the elections were largely free and fair. Mr Ed van Thijn, the head of a group of international monitors, said yesterday: "The outcome of the observer mission is extremely positive."

This finding was based on initial reports from nearly 3,000 polling stations in 87 of 109 voting districts.

"At almost all polling stations – 97 per cent – the voting process was conducted properly," said Mr Van Thijn who later this week will submit a final report to the Organisation of Security and Co-operation in Europe, which is responsible for certifying that elections were free and fair.

His report was in stark contrast to a statement from the International Crisis Group (ICG), an influential monitoring agency, which said the minimum conditions for elections did not exist.

"Repatriation and reintegration of refugees had not begun; indicted war criminals continued to exert influence behind the scenes; and freedom of movement and expression remained serverely restricted," an ICG statement said.

"Under such handicaps, the elections were bound to confirm the effective division of the country on ethnic lines," it said.

It emerged yesterday that only 13,500 Moslems crossed former front lines to vote in their municipalities from which they were expelled, while a mere 1,200 Serbs cast their ballots in the Moslem-Croat Federation, according to the UN. Election officials had initially estimated that 20,000 Moslems and 4,000 Serbs crossed over to vote.

Analysts said the election of Mr Krajisnik would either force Bosnian Serbs to abandon their separatist position and support the Dayton peace plan or, more likely, undermine the implementation of the joint governing institutions, envisaged by the agreement.

Mr John Fawcett of ICG, yesterday warned: "The victory of Mr Krajisnik would show the absolute travesty of the electoral process. It will give him all the ammunition he needs to finish off what he started by military means."

Election posters come down in Sarajevo. Results are expected throughout the week Reuter

Nazi gold accord may be revised

By William Hall in Zurich

The Swiss government may be prepared to renegotiate the 1946 Washington agreement under which it paid SFr250m ($201.6m) to settle the question of looted Nazi gold deposited in Swiss banks, it hinted yesterday.

The agreement, under which the Allies waived all future claims on Switzerland, has been the focus of considerable media attention, following a British Foreign Office report which suggested Switzerland may still be holding up to 90 per cent of the gold looted by the Germans.

Mr Flavio Cotti, Switzerland's foreign minister, said yesterday Switzerland still stood by the 1946 agreement which settled all legal aspects concerning his country's wartime gold transactions with Germany.

However, if "new facts arise", then there might be a case for questioning the 1946 agreement.

Mr Cotti was speaking at a press conference in Berne where he launched Switzerland's plans to deal with the mounting international criticism of the country's wartime dealings with the Germans.

The plans involve new legislation temporarily to lift Swiss bank secrecy laws to enable a government-appointed panel of investigators to get to the bottom of the issue.

Mr Cotti said this issue was causing "serious harm to Switzerland's image". Switzerland intended to answer "once and for all" questions that have never received a proper answer in earlier official investigations.

The legislation will remove all obstacles to the official investigators who are charged with discovering "the fate of assets which reached Switzerland as a result of a National Socialist rule".

Swiss officials stressed the investigation would go much wider than the issue of unclaimed assets. It will also investigate whether the Swiss government and Swiss institutions such as the Swiss National Bank behaved properly in relations with the Germans.

Mr Hans Meyer, chairman of the Swiss National Bank, which was the main conduit for Germany's gold transactions with the outside world, said the facts about Switzerland's gold trading were well known.

The bank had contributed SFr100m of the SFr250m Switzerland had paid to settle the Allied claims. Swiss National Bank officials had dealt with the German Reichsbank in a way that "seems incomprehensible now".

The main issue was not about the volume of gold traded but what were the intentions of the Swiss officials involved: "Should the Swiss National Bank have known that the gold was stolen?" Mr Meyer said.

The problem facing the investigation into the dealings over 50 years ago is that most of the participants are dead and Swiss banks are only obliged to keep records for 10 years after an account is closed.

But Switzerland was investing considerable time and effort in repairing its international image. "Switzerland had never had the intention of taking the gold from the Nazis and keeping it for itself," Mr Cotti declared. Switzerland should not even be suspected of retaining those assets.

The investigation would show whether Switzerland had met its moral obligations to society as well as its legal obligations.

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UK set for clash on mad cow cull

By Caroline Southey in Brussels

EU farm ministers are today expected to reject British calls for a cut in the selective cull aimed at eradicating mad cow disease, setting the scene for a fresh confrontation between the UK and its EU partners.

The EU reaction could prompt Britain to defy its EU partners by pressing ahead with plans to cut the number of cows it agreed to cull under a deal to secure a phased lifting of the worldwide ban on British beef.

The UK believes a cull of 125,000 agreed by EU heads of government in Florence in June is excessive and will not substantially reduce incidents of the disease.

Mr Douglas Hogg, British farm minister, yesterday gave the first official hint Britain was ready to scrap the terms of the agreement. "We have to to make an assessment of the extent other governments are able and willing rapidly and substantially to lift the ban in accordance with the Florence agreement," he said.

Britain's refusal to stick to the deal would anger member states and lead to a stand-off over phased lifting of the ban. Member states argue that, under the Florence deal, Britain agreed to the selective cull as a precondition for any lifting of the ban.

"Florence is the only workable solution. I will apply maximum pressure on Britain to honour the agreement," Mr Ivan Yates, Irish farm minister, said.

Mrs Loyola de Palacio, Spanish farm minister, said Britain "must stick to the Florence agreement". Mr Franz Josef Feiter, Germany secretary of state for agriculture, said "everything had to be done to eradicate BSE as quickly as possible".

EU farm ministers are due to discuss the issue today. A majority of the ministers yesterday attacked European agriculture commissioner Franz Fischler's plans to cut aid to cereal farmers as part of a package to provide support for the beef sector. Mr Fischler has argued that cuts to cereal aid were needed to fund an Ecu1.3bn ($1.65bn) package of support measures.

French PM faces twin attack on growth policy

By David Buchan in Paris

Prime Minister Alain Juppé is coming under fresh attack from within his centre-right majority for his economic policy, on the eve of the 1997 draft budget that he will unveil tomorrow.

Two former ministers, Mr Alain Madelin and Mr Charles Pasqua, held a joint rally on Sunday night in which they said the time had come to change the government's economic strategy.

The very fact that two men with such different policy prescriptions should hold a joint rally appears to show a new unity of purpose, if not of views, within the growing number of internal opponents to Mr Juppé.

Mr Madelin, sacked as finance minister by Mr Juppé a year ago for being too radical, complained of the prime minister's "homeopathic" approach and called for more sweeping tax and public spending cuts to relaunch the economy.

Mr Pasqua, a former Eurosceptic interior minister, said that "Madelin the liberal, and me the Gaullist, and many others with us, believe that such is the situation of the French economy that we must attack the causes of the ills from which it suffers".

Mr Pasqua's preferred remedy is a big government loan to pump demand into the stalled economy, making it unlikely that he can forge any lasting axis with Mr Madelin.

Both men want to mark themselves out as political forces for President Chirac to reckon with, if and when he comes to changing policy and/or prime minister in the run-up to the 1998 parliamentary elections.

Mr Juppé is not the only target. Mr Nicolas Sarkozy, a former budget minister who along with his former boss, ex-Prime Minister Edouard Balladur, has been critical of the Juppé policies, called yesterday for debate on the "taboo" subject of French monetary policy, conducted by the independent Bank of France, and urged the central bank to cut short-term interest rates further.

The 1997 draft budget is expected to show a financing gap deficit well above the FFr245bn ($48.32bn) deficit the government had originally targeted for next year when France hopes to qualify for European monetary union.

In the painful absence of more flexible German interest rates, France is finding it easier to agree with Germany on how to conduct a monetary union than on how to reach it in the first place.

Mr Jean Arthuis, the French finance minister, and Mr Jean-Claude Trichet, the Bank of France governor, travel today to Bavaria for bilateral talks with their opposite numbers in advance of Friday's Dublin meeting of European finance ministers.

France is confident of German agreement to its idea of a "stability council" to give political guidance to the "stability pact", a set of budgetary disciplines, proposed by Germany for Emu participants to follow.

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GM signs EU-wide works council deal with unions

By Robert Taylor, Employment Editor

After two years of negotiations General Motors yesterday signed an agreement with trade unions covering its 86,000 workers in 15 European countries to put into effect the EU works council directive.

Full details of the agreement, which includes those employed in the UK's Vauxhall plants, in Saab plants in Sweden and Finland and by Opel in Germany, will be announced by the trade unions and the US car company today. Employees in Switzerland, where GM Europe has its corporate headquarters, and the company's plants in Poland and Hungary will not be covered.

The works council directive requires all companies with 1,000 employees which employ more than 150 in at least two EU member states to establish a consultation and information committee at the transnational European level of a company's business operations.

Companies have until next Sunday to negotiate a voluntary works council deal with their employees. After that companies which do not have such bodies will face the prospect of having them imposed if their employees want to negotiate a works council.

The 30-strong body at GM, with representatives from all 15 EU countries, is to be called GM's European employee forum. The company has made it clear that the new committee will not replace or duplicate any works councils that currently exist in its plants. In line with the EU directive, it will be confined to discussing European corporate strategies.

GM reached its deal with the European trade unions, which co-ordinated their bargaining through the European Metalworkers Federation.

Initially there was stiff resistance to a demand by the British trade unions that they should decide who should represent UK workers on the proposed forum.

The company agreed at the outset that it would involve Vauxhall workers in the body despite the UK opt-out from the social chapter which would have made it lawful for GM to exclude them.

Guinness, the Irish spirits and brewing group, also announced yesterday that it had established an employee forum.

The 44-strong body will include 12 UK representatives with a further nine each from Ireland and Spain and the remainder coming from the company's smaller operations in 10 other European countries.

Russian power strike hits Far East

By Chrystia Freeland in Moscow

More than 16,000 power plant workers in the Far East went on strike yesterday, threatening to plunge Russia's troubled Pacific Rim into cold and darkness.

The strike, provoked by wage arrears dating back to April, could widen later this week when other state employees, including workers at a factory which repairs nuclear submarines, bus drivers, doctors and teachers, have threatened to join the protest.

In Russian tradition, the power station employees are calling on the central government to step in to solve the regional crisis. The strikers have petitioned Moscow to sack Mr Yevgeny Nazdratenko, elected governor of the Primorsky region in December, and to impose direct presidential rule.

The power plant workers and federal government officials in Moscow have blamed Mr Nazdratenko for triggering the problems by fixing local energy prices at artificially low rates, making it impossible for the power stations to operate.

But Mr Nazdratenko, who was elected by a big margin last year and has built up a powerful local political machine, says central government is at fault for discouraging the region from importing coal from Asian neighbours while refusing to subsidise the tremendous cost of transporting fuel from European Russia.

Political tempers in the region, crippled by a power blackout in July when local fuel reserves ran out, are likely to heat up further next week when a public referendum on Mr Nazdratenko's administration is planned.

Some of the leading figures in the Yeltsin administration, most notably Mr Anatoly Chubais, the president's chief of staff, are old opponents of the powerful Far Eastern governor.

But even Mr Nazdratenko's enemies in the Kremlin are likely to pause before ousting a locally elected official and imposing direct presidential rule.

Senior judges have warned that, no matter what the demands of the power workers, sacking an elected governor goes beyond the president's legal authority. Other powerful regional leaders would undoubtedly offer fierce opposition to the Kremlin setting any such precedent.

Removing Mr Nazdratenko would also make Moscow directly responsible for the financial woes of the Far East, whose economy has been severely hit by the increase in transport costs since the collapse of the Soviet system.

EUROPEAN NEWS DIGEST

Spanish left in row over king

Spain's Communist leader, Mr Julio Anguita, attracted a barrage of criticism yesterday after he questioned the monarchy's role and threatened to withdraw support for the country's 1978 constitution.

At the party's annual gathering in Madrid at the weekend, Mr Anguita said the party no longer felt obliged to put aside traditional demands for self-determination, a federal system and a republican government. He blamed others for undermining the principles of the constitution.

He returned to the fray yesterday, accusing King Juan Carlos of overstepping the limits of his role by supporting Spain's full integration in Nato and its aim of joining European monetary union.

Mr Manuel Fraga, one of the architects of the constitution and former leader of the governing Popular party, said it was "the most serious thing that has been said in Spain in recent years". The statement also caused divisions within the Communist-led United Left alliance, the third largest party in the Spanish parliament, which Mr Anguita heads. *David White, Madrid*

Yeltsin to stay in hospital

President Boris Yeltsin, who has said he will undergo heart bypass surgery later this month, will remain in hospital for preliminary medical tests until tomorrow. Mr Yeltsin went into the Central Clinical Hospital over the weekend.

The Kremlin has not said when Mr Yeltsin's operation will take place. Leading Russian and western doctors are to meet in Moscow next week to determine the date and details of the surgery.

Mr Yeltsin has already handed control over the security ministries, normally a presidential prerogative, to the premier, Mr Victor Chernomyrdin, his constitutional successor, but has insisted that he remains commander-in-chief and in control of Russia's nuclear arsenal. Some officials have said Mr Yeltsin will sign over the nuclear trigger to Mr Chernomyrdin when he is under anaesthetic. *Chrystia Freeland, Moscow*

Chirac in jobs for young plea

President Jacques Chirac yesterday appealed to French business leaders to hire more young people to restore the country's missing confidence and help reduce near-record unemployment.

In a speech at a Poitiers convention marking the 50th anniversary of the Patronat, the French employers' federation, the president acknowledged the efforts already made by employers, but urged them to go further.

"It is by helping young people to make this difficult transition from education to active life that we will restore to our society the confidence that is still missing and the élan necessary for the success of French enterprise," he said. *David Owen, Poitiers*

Rome admits Bossi threat

The Italian government said yesterday it would press on with federal reform, acknowledging that Mr Umberto Bossi, the separatist campaigner, remained a threat to unity despite his failure to draw mass support for a weekend "declaration of independence".

"The fact that the Northern League flopped doesn't mean that the need for reform has become any less urgent," Mr Franco Bassanini, regional affairs minister, told a news conference a day after Mr Bossi's symbolic proclamation of a northern "republic".

But Mr Bassanini said that unless the government enacted reforms aimed at more local autonomy, there was "a risk that a separatist programme would be embraced out of desperation by those who really don't want it". *Reuter, Rome*

Walesa faces tax demand

Mr Lech Walesa, the former Solidarity Union leader and president of Poland who was narrowly defeated in last year's presidential elections, has been ordered to pay tax on a $1m payment from a US film company.

The Supreme Administrative Court has ordered him to pay income tax on the fee he received in 1989 from Warner Studios in return for rights on a film of his life which has, as yet, not been made. Mr Walesa said yesterday he would appeal.

Mr Walesa said the income was taxed at source in the US and that under Polish regulations it should be treated as a tax-exempt gift. But Mr Grzegorz Kolodko, finance minister, said on radio that Mr Walesa apparently had not paid tax in the US. Mr Walesa was originally asked to pay 189,500 zlotys ($68,000) but this has been reduced to 83,500 zlotys. *Anthony Robinson and agencies*

OECD praise for Slovakia

Slovakia will achieve one of the highest levels of economic growth combined with one of the lowest inflation rates of any of the transition countries of central and east Europe in 1996 and 1997 according to a forecast by the Organisation for Economic Co-operation and Development.

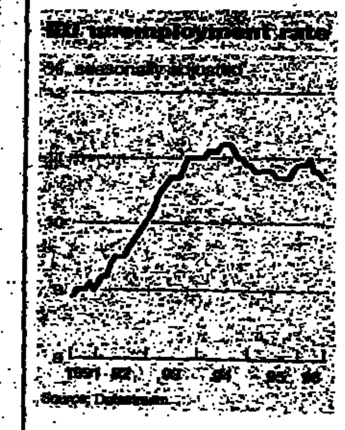
Gross domestic product, which grew by 7.4 per cent last year, is forecast to grow by 5-6 per cent in both 1996 and 1997. The OECD is critical of Slovakia's "turbulent" privatisation policy, however, and warns that the banking system "remains a cause for concern".

Growth, which at first was led by exports, is being supported by stronger domestic demand including several ambitious infrastructure programmes.

The rate of inflation, which fell to 5.6 per cent year-on-year in August, is forecast to remain at around 6 per cent. *Kevin Done, London*

ECONOMIC WATCH

EU's jobless level steady



EU unemployment was 10.7 per cent in July, unchanged from June and from July last year, Eurostat, the EU statistics office, said. Eurostat also released the June figure, which was down from 10.8 per cent in May. Eurostat noted that unemployment had been falling steadily for two or three years in several member states: Denmark (from 10.6 per cent in June 1993 to 6.3 per cent this July); Spain (24.5 per cent in May 1994 to 21.3 per cent); the UK (10.7 per cent in January 1994 to 8.3 per cent); and Finland (19.6 per cent in March 1994 to 16.3 per cent). But rates were higher in Germany (up from 8.1 per cent in May this year to 8.9 per cent) and France (from 11.2 per cent in July 1995 to 11.7 per cent).

■ Switzerland's seasonally adjusted trade deficit was revised to SFr62.1m ($50m) in July from SFr62.7m, the Federal Customs Office said. The figures include precious metals, gemstones, art objects and antiquities.

The government said Swiss exports in the period were revised to SFr8.610bn from SFr8.614bn, and imports were revised to SFr8.548bn from SFr8.551bn. The office said it would release August trade figures today. *AFX, Bern*

NEWS: EUROPE

Romania and Hungary united in EU ambitions

By Anthony Robinson, East Europe Editor

The leaders of Romania and Hungary yesterday put their desire for future membership of the European Union and Nato before the mutually exclusive claims of their respective ethnic extremists by signing a long-delayed bilateral treaty.

The so-called "basic treaty" guarantees the inviolability of existing frontiers and the human rights of ethnic minorities. But it does not recognise the "collective rights" of the 1.6m strong ethnic Hungarian community in Romania.

This is a "right", demanded by the ethnic Hungarian party, which the Romanian government argued could lead to calls for autonomy or even secession and would set a dangerous precedent for Europe as a whole.

Hungary, with its $10bn in foreign investment and currently in the midst of a painful external readjustment, is among the frontrunners for entry into the EU early next century. Romania, which also aspires to EU and Nato membership, hopes to be in the second wave of EU enlargement. But both countries, and Slovakia which has a similar treaty with Hungary pending parliamentary ratification, know that repairing their bilateral relations is a prerequisite for eventual entry.

Mr Gyula Horn, the Hungarian prime minister, travelled to Timisoara, in the formerly Austrian-ruled Banat area of Romania, to sign the treaty with his Romanian counterpart, Mr Nicolae Vacaroiu.

It was a journey denied his predecessor, Mr Jozsef Antall, the first leader of post-communist Hungary who, on taking power, said he saw himself as representing not only the 10m Hungarians inside the modern state, but also the 5m or so ethnic Hungarian diaspora.

The borders of modern Hungary were set by the Trianon Treaty of 1920. This deprived Budapest of two-thirds of the lands it controlled during the Austro-Hungarian empire and turned 5m ethnic Hungarians into minorities, many of them in what became the Transylvanian region of *Romania*.

President Ion Iliescu has been the driving force behind Romania's agreement to formalise its relationship with Hungary. Last year he put his authority behind a drive for "historical reconciliation" and forced a break with the nationalist Romanian National Unity party (PUNR) lead by Mr Georghe Funar, the demagogic mayor of the mixed city of Cluj.

Mr Iliescu, who is facing a challenging presidential election in early November, was much in evidence at yesterday's televised proceedings. Both the timing of the treaty and the departure of the PUNR from the coalition are part of the president's strategy for re-election.

The willingness of both governments to defy the more extreme demands of their ethnic parties also reflects growing evidence that ordinary people are *more interested in economic* and social policies than emotional ethnic issues.

Vocal nationalists fared badly in the elections which brought the reformed former communists led by Mr Horn back to power in Hungary two years ago, and Mr Iliescu is now competing for moderate voters in the general and presidential elections.

Thousands demonstrated against the friendship treaty outside Budapest's parliament earlier this month Reuter

Kohl looks at EU foreign policy troika

By Peter Norman in Bonn

Chancellor Helmut Kohl's Christian Democratic Union yesterday sought to give fresh impetus to slow-moving negotiations on a common foreign and security policy for the European Union. The CDU urged a more significant role for the European Commission, proposed an EU foreign policy *troika and sought ways of* binding the EU's neutral members into a common defence structure.

The party's special committee on foreign and security policy called on the inter-governmental conference discussing the EU's further development to reject the French idea of appointing a single "high representative" to represent EU joint foreign policy to the outside world.

Instead, it said a "new *troika" comprising the chair*man of the European council of foreign ministers, a council secretary general responsible for foreign affairs and the EU foreign affairs commissioner, should take charge of joint foreign policy. *The aim would be give* the EU the capacity to act more quickly while securing continuity from one six-month EU presidency to another.

"We want the Commission to be involved because it develops policy from the viewpoint of the union and already has far-reaching responsibilities in foreign policy," Mr Elmar Brok, a member of the CDU committee and European Parliament, said.

Mr Brok, who is a confidant of Mr Kohl, said the Commission must also be represented in a proposed high-powered planning and analytical staff that would help formulate joint foreign policy. Such involvement, he said, would ensure that joint EU foreign policy was not overshadowed by the interests of national capitals.

Yesterday's policy advice of the CDU committee is not binding on Bonn's coalition government. But Mr Kohl has used such party bodies in the past to float ideas on the European stage. Mr Brok said yesterday that Mr Werner Hoyer, the junior foreign minister handling the IGC negotiations for Germany, viewed the CDU ideas "positively".

The CDU committee also outlined a way of tying neutral EU members into a common defence policy. It called for a step-by-step integration of the EU and the Western European Union, the European defence group, that would stop short of the inclusion of article V of the WEU treaty in the EU treaty. Article V, obliging WEU members to guarantee one another's security, would be included in a protocol to the EU treaty.

In this way, Mr Brok said, neutral EU states could participate in humanitarian, peace keeping and peace enforcing actions while preserving their neutrality.

If they later decided to join the WEU alliance, they could do so without having to ratify a treaty.

Mr Klaus Kinkel, Germany's foreign minister, yesterday vehemently denied rumours that the Bonn government was prepared to dilute the Maastricht Treaty criteria *for European economic and* monetary union, writes Peter Norman in Bonn.

In a statement, Mr Kinkel said such rumours lacked all foundation and the Bonn coalition was firm in its goal of starting Emu as *planned on January 1 1999.*

It was unclear yesterday what prompted Mr Kinkel's outburst. However, there have been reports that Chancellor Helmut Kohl mooted the possibility of delaying the start of Emu at *a private dinner with* businessmen 12 days ago.

Sixth arrest as Czech bank probe widens

By Vincent Boland in Prague

Czech police detained a sixth person yesterday in a widening probe into the country's biggest ever banking collapse, as public and political anger mounts over allegations of fraud in the financial sector.

The detention follows the arrest last Friday of four financiers in connection with the collapse of Kreditni Banka, the sixth largest Czech bank. The Czech National Bank (CNB), the central bank, revoked Kreditni's licence last month after it accumulated gross losses estimated at Kč12bn ($452m). It has since been put in liquidation.

Three of the men arrested last week – Mr Jan Peterka, Mr Milan Nenadl and Mr Elemir Vaclavik – are former executives of Kreditni. *The other is Mr David Knop*-Kostka, a member of the supervisory board of Motoinvest, an aggressive financial group which has become one of the country's largest fund management groups in the past year.

A fifth man, Mr Jan Dienstl, an executive director of Motoinvest, was detained briefly but released pending further investigation. Mr Augustin Hrboticky, the prosecutor handling the investigation, declined to name the latest suspect.

The charges against the men arrested last week relate to the transfer of Kč3bn from Kreditni shortly before it collapsed. Mr Pavel Tykac, Motoinvest's general director, *said yesterday the* transaction related to the transfer of bad loans from the bank to a separate company in a bid to save Kreditni *and that it was made* with the knowledge and approval of the CNB. He rejected allegations that Motoinvest executives had acted wrongly.

The collapse of Kreditni has sparked alarm about implications for the stability of the financial sector. Already, Ceska Pojistovna, the country's largest insurer, had to be bailed out because it was the biggest shareholder in Kreditni. Mr Josef Tosovsky, CNB governor, under fire for the apparent slowness of official responses to the bank's plight, cancelled a trip to Latin America this week.

There is also mounting anger over the size of the bank's losses. President Vaclav Havel referred last week to "tumours that have grown in the whole body of the banking sector".

SPD hopes take blow in Lower Saxony poll

By Peter Norman in Bonn

Despite unpopular welfare cuts and a small decline in voter support, Chancellor Helmut Kohl's Christian Democratic Union yesterday emerged with the biggest share of the vote in Sunday's local elections in Lower Saxony.

Among the established parties, the environmental Greens were alone in increasing their share of the vote in the contests to fill 31,000 seats on 2,238 town and rural district councils.

The Social Democratic party, which governs Lower Saxony with a majority of one in the state legislature in Hanover, lost support and failed in its attempt to overtake the CDU. Support for the market-oriented Free Democrat party, junior member of the Bonn coalition, *fell below the 5 per* cent necessary to enter federal and state parliaments.

Sunday's elections came after a week of heated debate over the government's austerity policies in the Bonn parliament culminating in the passage last Friday of legislation cutting welfare entitlements.

The Lower Saxony poll, with over 6m eligible voters, was one of the last big tests of political opinion before elections to the Hanover state parliament in spring 1998 and the next general election later that year.

Sixteen and 17-year-olds were allowed to vote for the first time in an innovation unique to the state. Against the background of the lowest turnout for local elections in Lower Saxony since 1945, only half the newly enfranchised young voters voted. *The overall participa*tion rate was 64.5 per cent, down from 68.3 per cent five years ago.

The elections were seen as a verdict on Mr Gerhard Schröder, the state's centrist SPD prime minister, who, according to opinion polls, is the opposition leader with the best chance of beating Chancellor Kohl. Mr Schröder admitted yesterday "a lot of catching up" had to be done and the SPD needed a stronger profile.

Official returns announced early yesterday gave the CDU 41.6 per cent of the vote against 43 per cent in 1991. The SPD share fell to 38.5 per cent (40.1 per cent) while FDP support dropped to 4.6 per cent (5.8 per cent). The Greens increased their share of votes to 9 per cent (6.3 per cent).

NEWS: WORLD TRADE

Mercedes signs $96m Chinese bus deal

By Tony Walker in Beijing

Daimler-Benz yesterday concluded a $95.5m agreement with Yangzhou Motor of China to build tourist buses for the rapidly expanding local market and for export.

But the German company remains locked in difficult negotiations with Chinese partners over a $1bn project for multi-purpose vehicles (also known as minivans or people carriers) and there is no indication of an early agreement after 18 months of discussion.

Mr Helmut Werner, chief executive of Daimler's Mercedes-Benz vehicles arm, said yesterday's bus deal marked a leap into the China market. "This project opens a highly promising perspective for us in the largest and most attractive bus and coach market in the world," Mr Werner said.

He did not elaborate on Mercedes-Benz's problems with its $1bn minivan project, but he indicated that differences between the company's Chinese partners – Sanxing Motor in Guangdong and Hainan Automotive of Hainan island – were contributing to the delay. He was not able to say when negotiations on the multi-purpose vehicle project might be concluded, describing the project as a "very attractive opportunity".

Mercedes-Benz and Yangzhou Motor, located in the booming province of Jiangsu adjacent to Shanghai, will each hold a 50 per cent stake in the bus manufacturing venture which will be known as Yaxing-Benz.

The agreement runs for 30 years and the German company has pledged to transfer technology in that time.

The joint venture is scheduled to produce its first buses in 1997. Annual capacity is 7,000 complete vehicles and 12,000 chassis. Exports are expected to account for 20 per cent of production within 10 years.

China is looking to Yaxing-Benz to produce international standard tourist buses for use on a newly-developed network of highways. Chinese-made buses do not meet international standards.

The new joint venture comes into being at a difficult moment for the Chinese vehicle sector. Credit restrictions have caused a build-up of stocks, and early prospects of rapid growth in sales has faded.

At the end of June unsold vehicles had risen to 116,000 from 88,000 at the beginning of the year.

Stockpiles of saloon cars, mostly small runabouts, were up 233.7 per cent to 19,600 in the first six months compared with the same period last year.

Acer joins Philippine computer expansion

By Edward Luce in Manila

Acer, the Taiwanese computer manufacturer, yesterday said it would quadruple investment in its Philippine motherboard assembly plant with the aim of generating $1bn a year in exports by 2000.

The $110m expansion, which would double capacity to 300,000 motherboards a month and boost monthly exports to Taiwan from $30m to $40m by January, is the latest in a growing list of overseas electronics investment and expansion plans in the Philippines.

The country, which has seen electronics exports grow from 20 to 40 per cent of total exports in the last three years, has seen more than $1bn in electronics investment in the last 12 months.

Intel, the US chip manufacturer, which last year unveiled plans to invest $750m in the Philippines on a "flash memory chip" plant, and Matsushita, which recently opened a miniature hard disk drive plant near Manila, are among the leading companies. Others include Texas Instruments of the US, and Fujitsu of Japan.

Mr Kenny Wang, manager of Acer's Philippine plant in Subic Bay Freeport, a former US naval base 60km north of Manila, said that high labour productivity rates and the workforce's ability to speak English were decisive factors.

The company, which has persuaded two Taiwanese suppliers to set up plants in Subic Bay, said it was also planning to assemble notebook computers there from 1997. The amount of value added at the Subic motherboard assembly plant would rise from 10 per cent in 1996 to more than 30 per cent by 1998.

"Subic has several advantages including its proximity to Taiwan and its skilled labour force," said Mr Wang. "It also has the benefit of good communications and distribution facilities." Acer, which will acquire a 16 hectare site in Subic for the expansion, said it would increase its payroll from 560 to 4,000 employees by early 1998.

WORLD TRADE NEWS DIGEST

Brussels widens anti-US action

The European Commission yesterday extended the threat of retaliatory action against Washington to cover punitive US legislation directed at companies investing in Iran and Libya. The Commission has already outlined counter-measures against the Helms-Burton legislation under which Washington could penalise foreign companies for "trafficking" in confiscated Cuban assets.

The Commission has proposed extending the retaliatory measures to cover the D'Amato legislation, directed at foreign companies investing in Iran and Libya. EU foreign ministers are expected to adopt the package next month. EU officials said the widening of the anti-boycott package would provide an opening for President Bill Clinton to waive punitive legislation against EU companies operating in Iran and Libya. The Act gives the president the power to exempt a company if it can prove a "conflict of jurisdiction". *Caroline Southey, Brussels*

LOT strengthens US links

American Airlines and LOT, Poland's state-owned national carrier, yesterday put a long-delayed code-sharing agreement into operation, giving LOT additional connections with Miami and Los Angeles for its transatlantic routes and the US airline a link with Warsaw.

The deal was first mooted in mid-1994 and comes into force after the Polish government, under pressure from the US Department of Transport, agreed to accept third country code shares. This means that from November 1 the Poles will also recognise code share tickets sold by Northwest Airlines and KLM as well as United Airlines and Lufthansa for passengers flying on these airlines to Warsaw and back. *Christopher Bobinski, Warsaw*

Dhaka in markets drive

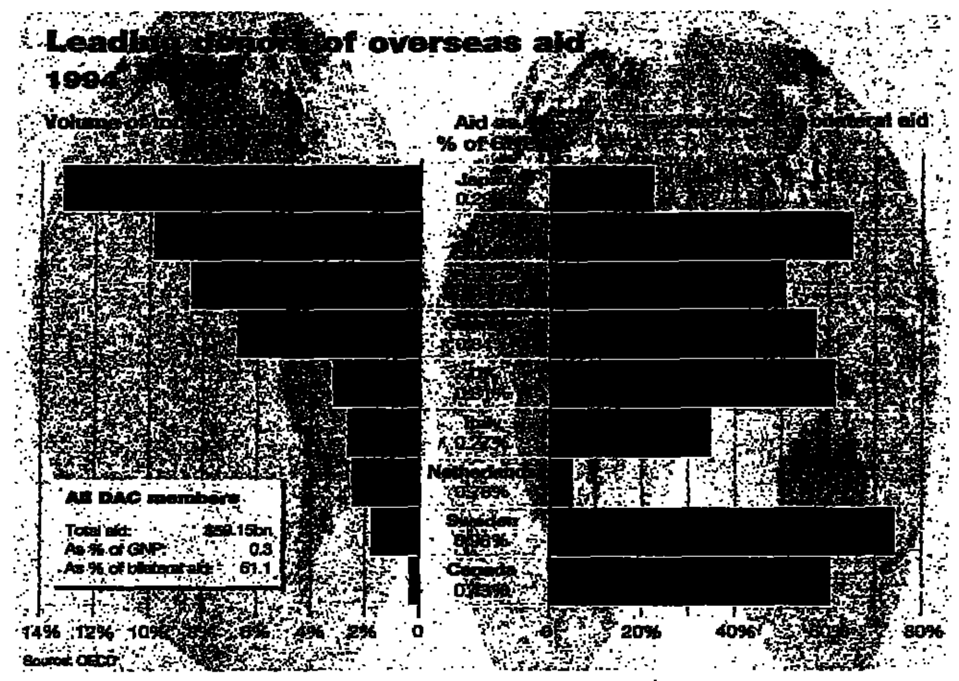
Bangladesh is developing its capital markets as part of an attempt to woo foreign investment. The country is also seeking to improve its legal framework; reduce state ownership in manufacturing; pave the way for privately operated mutual funds; and introduce more competition in the telecoms sector.

Speaking to a group of fund managers in Hong Kong yesterday, Sheikh Hasina, the Bangladeshi prime minister, said the country wanted to be "a serious partner in the world economic community". The government is making foreign investment a main plank of its policy to achieve faster economic growth. *Louise Lucas, Hong Kong*

■ Motorola, US semiconductor and communications equipment group, has signed a $40m agreement to expand cellular phone services in Shanghai. Capacity on Motorola's TACS network will be increased to 200,000 subscribers from 134,000. *Reuter, Chicago*

Tied aid dinosaur defies extinction

Guy de Jonquières reports on a fresh attempt to achieve an overdue reform



The widespread "tying" of bilateral development aid, which obliges recipients to buy goods and services from suppliers in donor countries, has been assailed for years as wasteful and anti-competitive by critics which include the World Bank and aid charities.

Yet sporadic attempts to agree on international disciplines have mostly foundered on opposition from a number of donor countries and suspicions among governments that others would simply backslide on any accord.

Tomorrow, at an informal meeting in The Hague, officials of the main donor nations will be urged to try again. The talks have been convened by the Development Assistance Committee, the "club" of aid-giving governments which is part of the Organisation for Economic Co-operation and Development.

Reformers cautiously hope that DAC's 21 members can be persuaded to agree to a work programme, which would pave the way for multilateral negotiations on untying aid. "Now that so much international trade is being liberalised, tied aid has become a dinosaur," says one official close to the talks.

If so, it is taking a long time to die: in 1994, more than half the $24.5bn bilateral aid by DAC members was tied. The practice is usually justified on the grounds that it helps maintain political support for aid budgets. Yet this rationale has not spared them from cuts in many countries.

The most vocal defenders of tied aid are often those industries, such as construction, which gain most from the export subsidies it provides. Indeed, the World Bank has suggested the practice survives largely because of self-interested lobbying by producers in donor countries.

Critics say tying distorts trade and devalues aid. An OECD study has found it pushes up procurement prices by 30 per cent on average. The World Bank reckons such inefficiency cuts the value of aid to recipients by 15 per cent, or $4bn in 1993. Tied aid is also blamed for foisting unsound or unneeded projects on poor countries, and for encouraging a "fast buck" approach among the exporters which supply them.

A recent report by Britain's Overseas Development Administration argued that multilateral untying of aid would benefit international competition and UK exporters. But it ruled out any change in Britain's policies unless other donors also agreed to act.

The last international attempt to curb tied aid was in 1991, when OECD members agreed to limit its use as part of export credit packages. Prospects for further action are likely to depend heavily on peer pressure and improved disclosure.

DAC members regularly review each others' aid programmes. Though they have no power to insist on changes, they can inflict embarrassing criticism. Two years ago, the DAC chairman expressed concern about the amount of UK aid that was tied. The public rebuke followed disclosures that Britain had broken its own trade-and-aid rules in supporting the controversial Pergau dam in Malaysia.

Reformers hope recent innovations, designed to shed more light on the often murky operations of tied aid, will help generate momentum for change. The DAC has begun compiling detailed profiles of bilateral aid programmes, which aim to show exactly how much business donors reserve for national suppliers.

It is also evaluating more closely the programmes' economic rationale and trade impact, and is requiring member governments to notify in advance aid-supported projects which are open to competitive international tendering.

There is also growing pressure for reform from countries, notably Japan and the Netherlands, which have moved unilaterally to untie aid. Though they are a small minority – and some DAC members' question the sincerity of Japan's commitment – failure by others to reciprocate is starting to rankle. "There is clearly an imbalance when companies in Spain, which still ties almost all its aid, can compete for Dutch aid projects, but not the other way round," says one official. Such anomalies also conflict with moves by the European Union and the World Trade Organisation to liberalise other types of public procurement.

However, the reformers face an uphill battle. Southern European governments have long resisted radical change, while France is expected to argue that other countries should first raise their aid spending closer to its own. At 0.64 per cent of gross national product, this is more than twice the DAC average.

Most crucial of all is the attitude of the US. Once a fervent champion of untying aid, it has recently grown more cautious. One reason is concern that advocating such action too loudly would make it even harder to justify its foreign aid budget to an increasingly unsympathetic Congress.

Even if these political hurdles can be side-stepped, few experts expect rapid progress. They point out that differences between countries' aid programmes would make it difficult to draft common disciplines, let alone enforce them fairly and effectively.

Even optimists are hedging their bets. "Nothing will change overnight," says one. "But if a critical mass of countries can be persuaded to put tied aid on the agenda, we can start building real momentum for reform."

US business leaders launch campaign to resurrect Opic

By Nancy Dunne in Washington

US business lobbyists are trying to salvage the Overseas Private Investment Corporation after Congress last week refused to renew its authorisation. It will be unable to issue new investment guarantees from October 1. a

Opic, a private organisation set up by Congress, extends guarantees and political risk insurance and plays a key role in US foreign policy by encouraging US companies to invest in emerging markets. Business representatives in Washington are worried that the strike against Opic could be the start of attacks on other government programmes designed to help business compete overseas, such as the US Export-Import bank. The 260-157 vote against renewing Opic's operating mandate and raising the ceiling on its financing activity caught business by surprise.

"This could be a trend unless it is countered by the business community very quickly," said Ms Peggy Houlihan, president of the Coalition for Employment through Exports, which has taken a lead against efforts to abolish or curtail US export promotion programmes.

House Republicans have targeted programmes they consider to be recipients of "corporate welfare" for rich US multinationals. They also garnered support from 86 Democrats who believe that business should take a slice of the cuts in government spending.

Ms Houlihan said Opic opponents held the mistaken belief that Opic receives government money.

It is, in fact, self-supporting from the fees it charges on its insurance and other financing. It also earns revenue on the millions it invests in treasury bonds each year.

"This is a wake-up call to the business community that we have got to get the message out there and make sure people understand the dynamics of international trade," Ms Houlihan said. "I believe we can find some kind of vehicle to turn it around."

The Heritage Foundation, an influential conservative think-tank, contends that Opic competes with private industry using government-backed guarantees to get subsidised financing for risky ventures.

WTO 'should enforce existing rules and avoid big initiatives'

US sets out trade priorities

By Guy de Jonquières

Barshefsky: Americans will not back new agreements

The US has said the WTO's first ministerial meeting in December should concentrate on ensuring that the Uruguay Round world trade agreement is fully implemented and should not launch any sweeping new initiatives.

Ms Charlene Barshefsky, acting US trade representative, sought at the same time to rebut suggestions that the World Trade Organisation threatens US sovereignty and has insisted that the body benefits the US economy.

Ms Barshefsky's views, in written testimony to the House of Representatives' Ways and Means Committee, are the most comprehensive recent US statement on world trade policy.

She insisted that the WTO ministerial meeting would not call for a new omnibus trade round, or for targets for the achievement of complete free trade, as some independent trade policy experts have proposed.

Instead, she said, the ministers' priority should be to ensure that all WTO members' were living up to their Uruguay Round commitments. "It is clear that the American people will not support new agreements if current agreements are not enforced," she said.

The WTO's medium-term activities should be confined to the existing work programme laid out in the Uruguay Round. This calls for the completion of negotiations on services liberalisation and further negotiations on areas including agriculture.

Mrs Barshefsky hoped the Singapore meeting might agree a modest package of further tariff cuts in sectors including information technology, pharmaceuticals, oilseeds and paper.

She said the US remained committed, despite strong developing country opposition, to placing trade and labour rights on the WTO agenda. However, she did not spell out precise objectives, other than to launch a "dialogue" on the issue.

She called on the WTO to tackle corporate bribery by agreeing new public procurement disciplines. But she was cool towards European Commission proposals that the WTO aim to set rules for global investment and competition policy.

Kuwait to let US station troops

By Bruce Clark and Roula Khalaf in London and Patti Waldmeir in Washington

Kuwait yesterday approved Washington's request to station 5,000 US troops there as part of the continuing US military build-up in the Gulf. Kuwait was the only Arab country to back the US missile strikes on Iraq earlier this month following the Iraqi incursion into the Kurdish north.

The likelihood of an imminent further US strike on Iraq has receded following Iraqi President Saddam Hussein's pledge last week not to attack allied warplanes patrolling the northern and southern "no-fly zones".

But US officials yesterday continued to stress that further attacks were not ruled out and would depend on Mr Saddam's actions. President Bill Clinton said the US sought no confrontation with the Iraqi leader. But he declined to say whether that meant he would forgo further air strikes against Iraq.

British officials yesterday welcomed what they saw as a slight softening in Washington's stance towards Iraq – including the apparent dropping of the threat to inflict "disproportionate" punishment on the Iraqi leader.

The officials were speaking as Mr William Perry, the US defence secretary – who first used the word "disproportionate" – arrived in Britain for a meeting with his British and French counterparts, after a visit to Turkey and Gulf states.

They said that as far as London understood things, Britain and the US were agreed in warning the Iraqi leader not to rebuild the air defence installations that were destroyed by Washington's initial cruise missile strikes two weeks ago.

Inquiry calls for reform of UN

By Michael Littlejohns, UN Correspondent in New York

A panel investigating the efficiency of the United Nations last night called for extensive reform and "world class management" to meet higher performance standards.

The report was published as delegates to today's General Assembly prepared for a heated debate over whether Mr Boutros Boutros Ghali, who will turn 74 in November, should have a second five-year term as secretary general.

The US says it has lost confidence in the Egyptian diplomat, but that it would consider another African as his replacement. His many Third World defenders have refused to consider any alternative.

The fight over the succession is expected to be the primary issue of this 51st General Assembly. It is linked to the whole question of international confidence in the UN.

American and other critics say the UN costs too much and delivers too little. They want a trimmer, less ambitious organisation and leaders ready to acknowledge its limitations.

The panel's report says some 75 cents of every UN dollar is spent in staff costs. It calls for significant change in the management culture and management systems – in effect acknowledging the case made by the US and other members against a "bloated bureaucracy".

The report identifies outsourcing as one way to save money, along with greater use of high technology, including desk-top publishing of international treaties.

The report says there were 5,500 meetings of the Security Council, General Assembly and other bodies in 1995 alone; 10,700 hours of simultaneous interpretation in six official languages; 1.2m visitors and more than 270,000 documents.

World 'heading for new food crisis'

By Alison Maitland

The world is being pushed into an era of food shortages by a scarcity of fish and water, the limitations of fertilisers and rapid economic growth in Asia, according to a leading environmentalist.

Mr Lester Brown, president of the Washington-based Worldwatch Institute, will today issue a doom-laden warning about the impending food crisis at a London conference organised by Oppenheimer International, overseas branch of the US investment bank.

"We're moving from a half century dominated by surpluses to an era which is going to be dominated by scarcity and rising grain prices," he said on the eve of the conference yesterday.

Land values will escalate and wealth could shift from manufacturing to agriculture, he said.

Mr Brown, who caused ructions in Beijing two years ago when he warned that China would have to import over 200m tonnes of grain by 2030 to feed its growing population, said his message was getting across.

"Both corporate and political leaders want to talk about these issues in a way that 18 months ago they did not."

Expecting fish, irrigation or fertilisers to provide a solution when agricultural land runs out was no longer possible, he said.

Global fish stocks were under such pressure that more fishing was likely to reduce the catch. Water levels were falling in all major food-producing regions. Urban population pressure was drawing water from the land to the cities, leading to greater reliance on grain imports.

Most challenging of all, he said, "we're pressing against the physiological limits of crop varieties to absorb more fertiliser." Fertiliser use in the US, for example, was now lower than a decade ago.

In the past, extra fertiliser use had offset the decline in the amount of land harvested for grain per head of population.

Mr Brown said this year's improved grain harvests in the US would not rebuild depleted global stocks. "That means at least another year of living close to the edge."

World grain stocks fell earlier this year to equal 48 days of world consumption but are expected to recover to 54 days after this harvest – still perilously low, he said.

Meanwhile Asian economies, excluding Japan, were growing by 8 per cent a year. With 3.1bn people, "that's an infinitely larger population working up the food chain faster than ever before," he said.

Growing affluence means a sharp rise in demand for grain for animal feed.

Indonesia's broiler chicken production, for example, was rising by 15 per cent a year.

Solutions appear elusive. Mr Brown said the basic technologies that revolutionised food production between 1950 and 1990 were developed in the late 19th and early 20th centuries. Biotechnology had so far failed to develop "a single, high-yielding variety of wheat, rice or corn".

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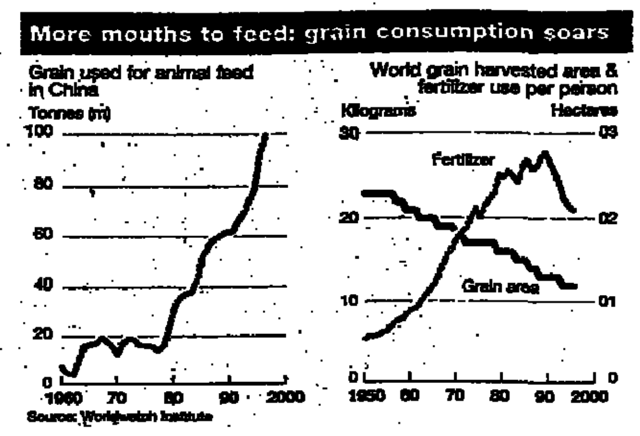
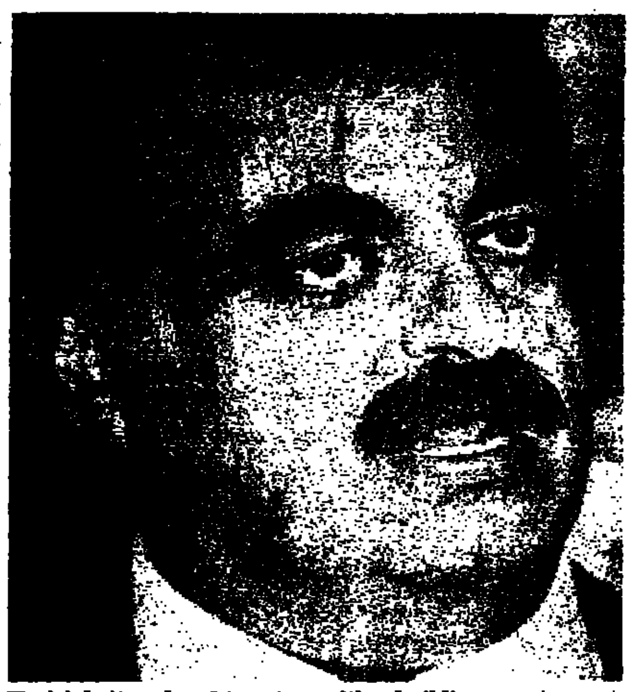


Hariri is main winner in Lebanon poll

And reconstruction appears to be not far behind, despite election flaws, writes Roula Khalaf

Despite its fractious society, Lebanon has often been held up as the Arab world's most open and democratic country. Observers say, however, that the claim is exaggerated and has been shattered in the latest experiment in democracy – the five-week-long parliamentary elections which ended on Sunday.



Hariri: better placed to get on with rebuilding country

The elections, staggered over five Sundays, were, even before they started, marred with charges of irregularities and government interference, according to the Lebanese Association for the Democracy of Elections, an independent monitoring group.

Lebanon's politics are dominated by Syria. Its president, prime minister and almost all the members of the outgoing parliament are considered pro-Syrian. The constant shuttling of Lebanon's political class and of many candidates to Damascus before and during the elections confirmed the view of many Lebanese that the poll was being stage-managed by Syria.

Observers point to the fact that the electoral law, for instance, split Mount Lebanon into smaller constituencies than the rest of the country to ensure the election of allies of pro-Syrian Druze leader Walid Jumblatt and reduce the showing of anti-Syrian Christians. Names of dead people appeared on voter lists and in some districts, candidates have alleged, voters were forced to cast their ballots under the eye of officials.

The new 128-member parliament is therefore expected to be almost totally pro-Syrian, as the previous one was. Critics say it will continue to legitimate Syrian dominance over Lebanon and resist any attempts by the new right-wing government in Israel to strike a separate peace deal with Lebanon while holding on to Syria's Golan Heights.

"Every decision that has to do with the future of Lebanon this parliament cannot take," says Mr Salim Nassar, a London-based commentator.

Nonetheless, the elections point to some signs of internal stability, important given the political uncertainty over the Arab-Israeli peace process and the effects it has on the economy.

First, Lebanon's Christian community, which boycotted the first post-war election in 1992 in protest over Syrian dominance and which has been marginalised in Lebanese politics in the last four years, adopted a more pragmatic approach. Local representatives ignored exiled leaders' calls for a boycott. Although only a few Christian critics of the government made it into the new chamber, their involvement led to a voter turnout that averaged around 45 per cent compared with about 32 per cent in 1991.

"Had there been less fraud and government meddling, it would have been more of an opportunity to reconcile citizens with the state," says Mr Paul Salem, head of the Lebanese Centre for Policy Studies. "As it happened, the reconciliation only partially took place."

Second, the main winner is Mr Rafiq Hariri, the prime minister and architect of Lebanon's reconstruction, a positive sign for the economy and for investors. Mr Hariri took over in 1992, a billionaire businessmen who amassed a fortune in Saudi Arabia and was an outsider to Lebanon's tribal rivalries. He has often sought to build his own political following. Now he is a deputy himself and can count on up to 20 allies, several of whom are also businessmen.

However, Mr Hariri's attempts to use the election to cut down to size one of his main critics, the pro-Iranian Shia Hizbollah movement, only partly succeeded. A Syria-imposed coalition between Hizbollah and the rival Shia movement Amal in South Lebanon and the Beka'a valley assured a Hizbollah comeback in the final two rounds there after some losses in the first three rounds.

The local business community expects that the Hariri bloc's strong showing will mean his $60bn 13-year reconstruction programme will sail more smoothly through parliament, which as the body that must pass legislation, has often sought to put obstacles in his way. The last two weeks saw a strong demand for the Lebanese pound and Treasury bills.

The hope for more harmony in parliament is also fuelled by the alliance forged during the election between Mr Hariri and his main rival, the powerful Mr Nabih Berri, the speaker of the outgoing parliament, who is expected to be given the job again.

If the alliance were to continue, says Mr Freddie Baz, economic adviser at Beirut's Banque Audi, the government may at last be able to tackle the delicate issues of privatisation and administrative and fiscal reform. Individuals' ties to political clans have obstructed attempts to clean up the administration and to raise public receipts from the current 17 per cent of gross domestic product.

Malaysia approves 'longest building'

By James Kynge in Kuala Lumpur

Malaysian authorities have granted key approval for a project to erect what is described as the world's longest building – near the 445-metre-high Petronas Towers, the world's tallest office blocks. Gigaworld, a 1.6km-long cylindrical structure, will be built on stilts above the River Klang in Kuala Lumpur.

The latest of Malaysia's grandiose projects has received the unofficial approval of Dr Mahathir Mohamad, the prime minister, an official said.

Dr Mahathir, who proudly takes visiting heads of state up the unfinished Petronas spires, likes megaprojects. He has backed projects to build Asia's biggest airport, a new administrative capital and south-east Asia's biggest hydroelectric dam.

Gigaworld's developers, KL Linear City, have pledged to clean the river and resettle 1,000 squatters who live along its banks.

The developers said yesterday Gigaworld had received notification from the Science, Technology and Environment ministry that it had passed an Environmental Impact Assessment (EIA), a study to assess any potential harm to the environment.

The project needs further approvals from city authorities, but the EIA was widely seen as its only real hurdle. The Bakun Dam in Sarawak, one of the prime minister's most cherished projects, was dogged by environmental problems, raising early doubts over EIA approval.

Gigaworld is only part of a project called Linear City, envisaging development of 12km on both sides of the River Klang with offices, shops and riverside restaurants. The total cost of investment is expected to be about M$5bn (US$2bn), the developers said.

Behind the project are two Malaysian businessmen, Mr David Chew, who masterminded privatisation of the national water utility, and Mr Vincent Tan, head of the diversified Berjaya Group.

Gigaworld will be 10 storeys high and incorporate an indoor stream running along one mid-level storey. The building's main floorspace will be taken up by shops, theme malls, and leisure venues.

KL Linear City plans to apply for listing on the Kuala Lumpur Stock Exchange "quite soon" to help finance construction of Gigaworld, tentatively scheduled to start next year.

Arrest warrant issued for former Indian minister

By Mark Nicholson in New Delhi

A Delhi court yesterday issued an arrest warrant against Mr Sukh Ram, former Indian telecoms minister, on corruption charges. The warrant follows investigations which led to the discovery of Rs36.6m ($1m) in cash in two of the ex-minister's homes in a police raid last month.

Officials with the Central Bureau of Investigation, India's central criminal agency, said Mr Ram faced arrest in Delhi late last night on his expected return from England, where the former minister claims to have been receiving treatment for a heart condition.

Mr Ram will face charges into alleged corruption in the award of an equipment contract and *prima facie* corruption arising from CBI discovery of assets "disproportionate" with Mr Ram's known income. Police found two trunks and 22 suitcases full of rupees during the August 16 raid and further assets subsequently. Two cryptically annotated notebooks were found and passed to India's tax authorities.

Mr Ram has denied any wrongdoing, claiming on Sunday that he was being made "a sacrificial pawn in political intrigues for power" and enmeshed in a "plot to discredit P.V. Narasimha Rao", the former Congress prime minister. Mr Ram, who oversaw India's telecoms privatisation programme during his three-year tenure, said the money discovered did not belong to him. "I will state to investigating authorities to whom it belongs," he said.

The charges darken the cloud over the previous Congress party government, and India's political establishment generally. More than 25 top politicians, including seven former Congress ministers, are facing charges in an earlier political bribes scandal, relatives of Mr Rao are under investigation in a further urea-import scandal, while Mr Rao himself has been summoned in a swindling case and questioned in a case alleging bribes were paid to opposition MPs in 1993 to win a confidence vote.

The charges against Mr Ram also threaten once again to shroud in political controversy the final settlement of licences for basic telephone services which the government awarded under Mr Ram's tenure, but which remain to be signed and finalised under the new United Front regime.

Mr M.P. Modi, chairman of India's Telecoms Commission, said last week that "individual aberrations" would not hinder the multi-million dollar process, which he said was "on course, going ahead and decisions are being taken". Nevertheless, opposition parties last year held up almost an entire session of parliament alleging that Mr Ram had corruptly mishandled the award of basic telecom licences.

The present charges against Mr Ram arise from investigations into the award of an equipment contract to Advance Radio Masts, a Hyderabad-based company.

Slorc out to bury Suu Kyi's hopes

Boycott campaigns have earned derision from an increasingly repressive junta

Legend has it that the original builders of central Rangoon's Sule Pagoda buried alive a prince in the structure's foundations for good luck.

The military junta that now runs Burma appears to have performed a similar operation on its principal opponent: democracy activist and Nobel Peace Prize winner Ms Aung San Suu Kyi.

Ms Suu Kyi has been told to confine her political activities to her house, or "new and appropriate measures will be taken". Key supporters and advisers are being imprisoned at a breakneck pace and the crowds who gather outside her home at weekends to hear her speak are beginning to dwindle, afraid of the consequences of being identified as a sympathiser with her National League for Democracy (NLD).

On the external front, a stalemate exists. The State Law and Order Restoration Council (Slorc) has been more effective at courting Burma's south-east Asian neighbours than Ms Suu Kyi has been at getting her allies in the west to implement tough measures against the country, which the increasingly confident generals say they will tolerate.

Suu Kyi: crowds dwindling

Boycott campaigns against western companies operating in Burma have had more success, but have earned only derisive comments from Slorc, which has more than three decades of experience sacrificing economic growth to stay in power.

Since being released from house arrest over a year ago, Ms Suu Kyi has been pushing for dialogue outside Slorc's "National Convention", where delegates hand-picked by the government are operating under instructions to write a new constitution giving the military "a leading role" in national politics.

The NLD, under-represented in the convention despite winning more than 80 per cent of the vote in the 1990 national election, pulled out at Ms Suu Kyi's insistence last year. That may have been a fateful mistake. It convinced Slorc that Ms Suu Kyi was out to destroy them. For the foreseeable future, says one diplomat, no possibility of dialogue exists, "perhaps even for years".

At times, there is talk that members of Slorc's powerful intelligence agency are disliked by leaders of the fighting regiments, for example. But any factional differences are dwarfed by a common distrust of Ms Suu Kyi. Many senior soldiers believe she is manipulated by foreigners and harbours ideas that would lead to domestic chaos.

For her part, Ms Suu Kyi has given up talking about how she considers the army, which her father founded, to be "like part of the family". Asked what Slorc was thinking, she answered: "Do they think?"

It is hard to fault Ms Suu Kyi for being frustrated. The regime has engineered a slew of arrests and sentences of 61 NLD supporters, including 19 accused of contacting Burmese exile groups and distributing anti-government leaflets.

Others have been jailed for talking to foreign journalists, while four people have been sentenced to seven-year jail terms for attempting to make a video chronicling conditions in the Burmese countryside.

"They are out to crush the NLD," Ms Suu Kyi says, while arguing that with each wave of arrests more people come to fill the gaps in the ranks. Yet aside from her two closest advisers, former generals Mr Tin Oo and Mr Kyi Maung, she has effectively lost what was her secretariat.

Many Burmese believe that by linking the NLD to a myriad of foreign plots against the country, Slorc is laying the groundwork to rearrest Ms Suu Kyi.

For the moment, this appears unlikely. She is probably safe at least until Burma becomes a full member of the Association of South East Asian Nations (Asean), a move Slorc desperately wants and which may come within a year. But once Burma is accepted into the grouping, any move against Ms Suu Kyi will not get it kicked out.

Arresting Ms Suu Kyi would probably trigger sanctions from the west; in fact such sanctions may be required of the US president under legislation likely to be passed soon by Congress.

These sanctions pale compared with the isolation from the World Bank and other multilateral lenders Slorc lives with.

Consumer boycotts have fared better and momentum is on the side of Slorc's adversaries. "Quite soon, you are going to get a situation where you are not going to be able to sell stuff made in Burma in any western country," says Mr Simon Billenness, a Boston-based fund manager and a leader of the international anti-Slorc campaign.

Whether that has a ripple effect on Asian investment, as Mr Billenness claims, is at present a moot point. Actual foreign direct investment, still small compared with elsewhere in the region, has halved since investment interest began at the beginning of the decade, down to just $114m for 1994-95.

With new investment trickling in and this year's rice crop likely to be below expectations, popular discontent with potential economic stagnation may be Ms Suu Kyi's only hope. But those are exactly the things Slorc has been effective, albeit ruthless, in dealing with.

William Barnes and Ted Bardacke

Thailand may miss growth target

By Ted Bardacke in Bangkok

Thailand's growth rate this year is likely to fall below the government's target of 7.8 per cent, the country's finance minister said. Mr Bodi Chunnananda said that slow exports this year could drive the growth figure below 7 per cent, as was forecast last week by Mr Olarn Chaiprawat, president of the Thai Bankers' Association.

"If the export figures for June and July that we received were correct, it is possible the gross domestic product growth this year would be as Mr Olarn forecast," Mr Bodi said.

Exports grew 3.8 per cent in the first six months of 1996, compared to a 26.2 per cent rise in the same period last year. Many private analysts have been lowering their growth forecasts to between 6 per cent and 7.5 per cent although some economists believe that if the government of Prime Minister Banharn Silpa-archa survives this week's no-confidence debate, a big boost to government spending towards the end of the year could keep economic growth above 8 per cent.

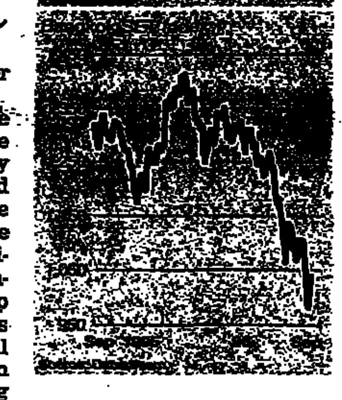
Thailand's export-led growth has shown significant signs of faltering in recent months, reflecting a region-wide weakness in export industries, the result of damaging currency attacks.

Mr Bodi said part of his worry was that tax measures designed to boost exports introduced last week would take some months to show results: "The more obvious results will be seen in 1997."

The finance minister's cautious statements failed to damp sentiment on the stock market, where introduction this week of two separate support funds – worth a combined $1.2bn – helped push the market up 1.8 per cent yesterday.

Analysts said they were unsure how much one of the support funds – privately raised by Thai banks and brokers – was buying in the market, but its existence was helping to build confidence. A new $400m government fund, designed to help stem the tide of forced sales of stocks bought by local retail investors using margin loans, will begin operating on September 30.

Under the new scheme, the Government Savings Bank will lend money via stock brokers to investors who bought certain stocks on margin but have been unable to meet cash calls as the value of those stocks has fallen along with the entire market, down 17 per cent this year.



ASIA-PACIFIC NEWS DIGEST

Jakarta keeps out opponent

Indonesia's embattled opposition figurehead will not be able to contest her parliamentary seat at next year's general elections in what amounts to a further move by the government to oust her from the country's political establishment. Ms Megawati Sukarnoputri's name was omitted from the lists of candidates compiled by the three officially recognised political parties.

The lists were submitted to the government's election committee yesterday. The committee screens all candidates and has the final say over who will be allowed to run in each district at the parliamentary elections scheduled for June next year.

Ms Megawati Sukarnoputri, former leader of the Indonesian Democratic party, was replaced by a government-backed candidate in June. The government is believed to have sought her removal because she was expected to draw votes from the ruling Golkar party at next year's elections. Strong support at the elections would also have put her in a position to stand against President Suharto – or an appointed successor – in 1998 presidential elections. *Manuela Saragosa, Jakarta*

Amnesty granted to Ieng Sary

Cambodian King Norodom Sihanouk has granted amnesty to Mr Ieng Sary, a dissident Khmer Rouge leader widely believed to have been involved in the death of more than 1m Cambodians between 1975 and 1979. King Sihanouk singed the pardon in hopes of spurring a peace settlement made possible when Ieng Sary broke from hardline leaders along with about half the Khmer Rouge fighting force. Ieng Sary was sentenced to death in absentia for his role in the genocide. *Ted Bardacke, Bangkok*

Kashmir violence deters voters

Grenade attacks in the southern Kashmir valley deterred voters during the second round of assembly elections in the troubled state of Jammu and Kashmir yesterday. Officials reported a particularly low turnout in and around Anantnag, 56km south of the state capital Srinagar where a number of blasts were reported. Several security personnel were reported to have been injured.

The ballot was the second in a four-stage poll, the first to elect a state assembly in the troubled north-western territory since 1987. An estimated 15,000 people have died in a bitter separatist campaign in the valley since 1989 and 20 have died during campaigning for the current polls. *Mark Nicholson, New Delhi*

Pakistan private schools loan

The International Finance Corporation, a World Bank affiliate that funds the private sector, is to lend $7m to a scheme to develop private education in Pakistan. The loan, which will help increase enrolment in Pakistan's Beaconhouse school network to 45,200 from 29,200, is its first such project anywhere in the world.

The IFC said it hoped its involvement in private education would help stimulate additional funding from both local and international sources. At 35 per cent, Pakistan's literacy rate is well below the average for a low-income country. But the government's resources are stretched thin and poor funding of Pakistan's state sector has left the middle class dissatisfied with state sector facilities. *Peter Montagnon, London*

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

	UNITED STATES Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	JAPAN Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	GERMANY Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	−174.2	−163.0	0.7623	100.0	228.2	73.5	64.5	180.50	100.0	*242.7*	*33.0*	*22.5*	*2.2260*	*100.0*
1986	231.0	−140.6	−153.4	0.9836	81.4	208.9	94.2	87.2	165.11	127.7	*248.5*	*53.3*	*41.3*	*2.1279*	*108.6*
1987	220.2	−131.8	−144.1	1.1541	71.9	194.7	83.7	75.5	166.58	138.8	*254.4*	*56.7*	*40.0*	*2.0710*	*114.9*
1988	272.5	−100.2	−107.4	1.1833	67.0	218.7	79.8	67.0	151.51	153.7	*272.6*	*61.4*	*41.9*	*2.0739*	*114.1*
1989	330.2	−99.3	−94.3	1.1017	70.0	245.5	70.6	53.4	151.87	147.0	*310.1*	*65.2*	*52.0*	*2.0681*	*113.3*
1990	309.0	−79.3	−72.7	1.2745	66.7	220.0	50.0	28.6	183.94	132.5	323.8	51.7	38.5	2.0537	118.1
1991	340.5	−53.5	−6.0	1.2391	65.7	249.4	77.7	57.4	166.44	143.7	327.5	11.1	−15.8	2.0480	117.1
1992	345.9	−65.2	−47.5	1.2957	64.4	256.6	96.2	86.7	164.05	150.7	330.9	16.8	−16.6	2.0187	120.6
1993	397.3	−96.7	−85.4	1.1705	66.3	300.4	118.6	112.5	130.31	181.0	325.2	30.6	−13.9	1.9337	125.3
1994	432.3	−127.0	−125.2	1.1857	65.1	325.1	121.8	110.6	120.98	194.9	360.0	37.0	−17.9	1.9198	125.6
1995	452.3	−122.8	−114.6	1.2928	61.2	331.3	101.4	85.5	121.43	204.8	395.0	49.1	−13.5	1.8509	132.1
3rd qtr.1995	113.0	−30.5	−28.9	1.3020	61.0	82.8	25.2	23.0	122.36	208.7	99.5	12.2	−6.6	1.8624	131.7
4th qtr.1995	117.7	−26.9	−23.6	1.2897	62.3	80.3	22.0	17.8	130.87	187.8	100.7	12.9	−4.2	1.8365	132.3
1st qtr.1996	121.2	−30.6	−27.7	1.2570	63.7	78.6	18.9	12.2	132.92	182.0	100.2	12.4	−2.0	1.8455	130.6
2nd qtr.1996	126.4	−32.5	−31.4	1.2362	64.6	82.4	16.7	12.4	132.90	180.8	96.9	12.2	−2.7	1.8821	128.2
August 1995	38.2	−9.6	n.a.	1.2954	61.3	28.4	8.8	8.4	122.52	202.6	32.2	4.1	−2.5	1.8705	131.1
September	38.4	−9.7	n.a.	1.2772	62.5	27.2	8.3	7.2	128.19	191.6	34.6	4.4	−1.1	1.8656	131.1
October	38.8	−9.2	n.a.	1.2977	61.9	26.0	6.2	4.8	130.78	188.8	33.5	4.0	−2.5	1.8357	132.9
November	39.0	−8.7	n.a.	1.2954	62.2	27.1	8.3	7.0	131.98	186.8	33.7	5.3	0.2	1.8363	132.4
December	38.9	−9.1	n.a.	1.2758	62.7	27.2	−7.5	6.0	129.85	187.9	33.8	3.6	−1.9	1.8374	131.6
January 1996	39.1	−11.5	n.a.	1.2634	63.6	25.5	5.6	4.3	133.43	182.1	33.4	3.4	−2.1	1.8460	131.0
February	41.2	−9.3	n.a.	1.2536	63.8	27.1	4.3	3.4	132.48	182.1	33.6	5.2	0.4	1.8377	130.8
March	41.0	−9.8	n.a.	1.2541	63.8	26.1	7.0	4.5	132.84	181.9	33.2	4.0	−0.8	1.8528	130.1
April	41.6	−10.5	n.a.	1.2421	64.3	27.2	3.9	2.7	133.12	180.7	33.4	4.6	−0.3	1.8715	129.0
May	42.7	−11.7	n.a.	1.2282	64.6	29.4	6.1	4.7	130.67	183.1	32.8	4.5	−1.3	1.8826	127.7
June	42.1	−10.3	n.a.	1.2363	64.8	26.6	6.8	5.0	134.91	178.2	32.8	3.2	−1.1	1.8921	127.8
July					64.6	26.7	4.8	4.8	137.21	176.8					128.5

	FRANCE Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	ITALY Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate	UNITED KINGDOM Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	−3.7	−0.2	6.7942	100.0	103.7	−16.0	−5.4	1443.0	100.0	132.4	−5.7	3.8	0.5890	100.0
1986	127.1	0.0	3.0	6.7946	102.7	99.4	−2.5	−1.4	1461.6	101.4	108.3	−14.2	−1.3	0.6708	91.1
1987	128.3	−4.6	−3.7	6.9265	102.7	100.7	−7.5	−2.1	1494.3	101.1	112.3	−16.4	−6.8	0.7047	88.3
1988	141.9	−4.7	−3.4	7.0354	100.6	108.3	−8.9	−6.0	1536.8	97.7	120.9	−32.3	−24.8	0.6643	94.7
1989	162.9	−6.3	−3.6	7.0169	99.6	127.8	−11.3	−17.0	1509.2	98.8	137.0	−36.7	−33.3	0.6728	91.9
1990	170.1	−7.2	−7.2	6.9202	103.8	133.6	−9.3	−18.0	1523.2	100.1	142.3	−26.3	−26.2	0.7150	89.8
1991	175.4	−4.2	−4.9	6.9643	102.1	137.0	−10.5	−17.7	1531.3	98.7	147.7	−14.7	−11.4	0.7002	90.5
1992	182.5	4.5	2.9	6.8420	105.4	137.9	−8.0	−21.5	1591.5	95.6	145.9	−17.8	−13.5	0.7359	87.1
1993	179.8	13.3	8.0	6.6281	109.1	144.3	17.9	9.7	1836.7	80.5	156.0	−17.2	−13.8	0.7780	79.9
1994	196.8	12.9	5.4	6.5659	110.1	160.1	18.6	13.1	1908.6	77.0	174.1	−14.0	−3.1	0.7736	80.1
1995	222.1	16.2	12.8	6.4460	113.4	177.9	21.1	20.1	2106.4	69.4	186.0	−14.2	−3.5	0.8190	76.2
3rd qtr.1995	55.2	3.2	0.9	6.4363	114.0	43.8	7.1	7.1	2096.4	70.0	46.8	−4.3	−1.3	0.8268	75.7
4th qtr.1995	56.1	4.3	2.4	6.3580	114.3	49.3	6.0	5.0	2061.0	70.4	47.4	−3.9	−1.5	0.8267	76.0
1st qtr.1996	57.7	4.6	6.1	6.3281	113.9	47.6	4.8	−1.2	1976.7	73.2	49.2	−4.3	−1.3	0.8208	75.0
2nd qtr.1996	58.0	3.8	3.1	6.3772	113.4	51.3	9.8	10.7	1922.3	75.9	50.9	−4.4		0.8113	76.1
August 1995	18.6	1.3	0.7	6.4322	114.1	11.3	2.0	2.2	2080.2	70.6	15.6	−1.4	n.a.	0.8261	75.8
September	18.6	1.2	0.4	6.4344	113.7	16.1	1.6	2.0	2062.6	71.0	16.1	−1.6	n.a.	0.8183	76.2
October	18.5	1.2	0.6	6.4104	113.6	16.4	2.1	2.1	2094.7	69.8	15.4	−2.0	n.a.	0.8224	75.7
November	18.9	2.0	1.4	6.3368	114.8	16.3	2.0	1.0	2084.8	70.3	16.3	−0.6	n.a.	0.8291	74.8
December	18.7	1.2	0.4	6.3269	114.4	16.6	1.9	2.0	2033.6	71.1	15.7	−1.3	n.a.	0.8265	74.5
January 1996	19.1	1.2	2.4	6.3221	114.4	13.6	0.1	−1.1	2001.4	72.4	16.0	−1.7	n.a.	0.8254	74.8
February	18.7	1.5	1.7	6.3189	113.7	16.2	2.1	1.2	1969.6	73.3	16.4	−1.6	n.a.	0.8159	75.3
March	19.6	1.8	2.0	6.3434	113.7	17.8	2.7	−1.3	1959.1	74.0	16.8	−0.9	n.a.	0.8212	75.0
April	18.6	0.5	0.7	6.3489	113.9	16.2	2.3	2.4	1944.9	74.8	16.7	−1.7	n.a.	0.8201	76.2
May	19.3	1.8	1.1	6.3707	113.3	18.1	3.9	4.0	1912.2	76.2	17.2	−1.4	n.a.	0.8106	76.0
June	18.3	1.5	1.3	6.4121	113.0	17.1	3.7	4.3	1909.8	76.8	17.0	−1.4	n.a.	0.8031	77.2
July					113.7			2.7	1918.1	76.6					77.0

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

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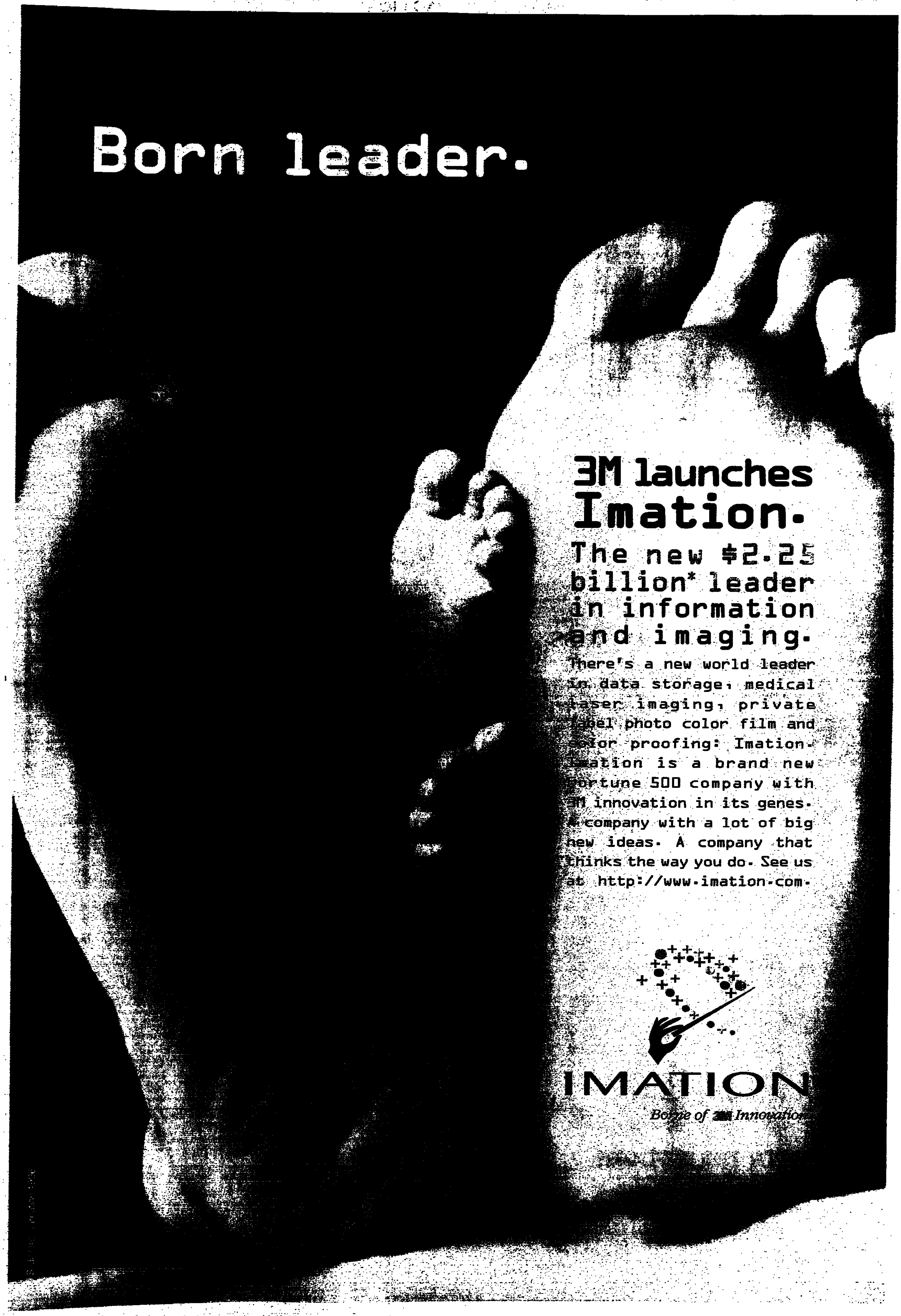
Born leader.
3M launches
Imation.
The new $2.25
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and imaging.
There's a new world leader in data storage, medical laser imaging, private label photo color film and color proofing: Imation. Imation is a brand new Fortune 500 company with 3M innovation in its genes. A company with a lot of big new ideas. A company that thinks the way you do. See us at http://www.imation.com.
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Californian state pension fund ponders opposing Proposition 211

Calpers to decide fraud plan stance

By Christopher Parkes in Los Angeles

Top executives at Calpers, the $100bn Californian state employees' retirement fund, met yesterday to decide whether to oppose or take a neutral stance towards a proposal for a state law which purports to protect pensioners from securities fraud.

Support for the proposal, known as Proposition 211, was not an option suggested in legal counsel's recommendations presented at yesterday's meeting of the fund's investment committee.

Although the option to remain neutral would be in keeping with Calpers' apolitical status as a state agency, its official attitude is of considerable concern to the powerful business lobby assembled against the proposition.

Opposition from the most powerful investor in the state would be a severe setback for supporters of the plan – led by litigation lawyers – which will pass into state law if approved in a popular ballot on November 5.

According to advice from Calpers' general counsel, the initiative presented a risk that the fund's range of investment opportunities could be reduced.

"We believe that private companies and partnerships that have a choice as to where to seek investment capital are likely to avoid California investors such as Calpers, as a means of avoiding coverage under the initiative," yesterday's discussion paper said. Venture capital firms might also be discouraged, it added.

The committee was also warned that proposals in the initiative to limit the extent to which company executives and directors may be indemnified against legal actions presented a risk that the "quality and independence of corporate boards will decrease".

A further risk highlighted in yesterday's recommendations was that Calpers could lose considerable influence should it ever want to take legal action in federal courts.

Since the proposition opens the possibility for individuals as well as funds to sue, the report said, Calpers' opportunities for acting as the "lead plaintiff" could be diluted.

Proposition 211, which is supported by powerful lobbying groups, including the American Association of Retired Persons, the state Democratic party and consumer groups, would in effect nullify in California recent federal legislation intended to make it harder for "frivolous" lawsuits to be filed against companies.

Its opponents, which include leading accountancy firms, and the main US stock exchanges, claim the initiative is the work of so-called "strike lawyers" who sue companies in the expectation that the targets will prefer an out-of-court settlement to protracted, costly, and distracting proceedings.

Its supporters point to a long list of recent frauds and alleged scams and claim California's large pensioner population has been hit especially hard.

Bomb 'lapses' blamed

By Patti Waldmeir in Washington

The US Pentagon said yesterday that security lapses were partly to blame for American deaths in a terrorist bomb blast in Saudi Arabia in June. It said one key field commander must share the blame for placing US troops at risk.

The Pentagon reached this conclusion in a report prepared by a retired army general on the blast at a Dhahran apartment complex which killed 19 US servicemen. Mr William Perry, the US defence secretary, called for a "radically new mindset" to cope with terrorism, in a letter accompanying the report.

Saudi officials are continuing to investigate the bombing, but have not yet published their findings. Mr Perry had previously suggested that Iran may have been involved.

The apartment complex housed the air force unit responsible for policing the "no-fly" zone in southern Iraq. The report said the military command had failed to take "all measures possible" to protect US forces at the complex.

The commander of the unit also failed to heed clear warnings of terrorist attacks on Khobar Towers, the apartment complex where 2,000 of the 5,000 US troops in Saudi Arabia live, the report concluded.

The report did not recommend any disciplinary action.

In the immediate aftermath of the bomb in June President Bill Clinton vowed to track down those responsible. The US president made the issue of international terrorism a focus of June's Group of Seven summit in Lyons.

Havana tries to rally the faithful

Cuba admits Soviet collapse has hurt the Revolution, reports Pascal Fletcher

A Cuban worker passes a sign in Havana proclaiming: 'We have socialism and we will keep it' Ararna Agé

Cuba's ruling Communist party, worried that five years of economic recession and the island's opening to the outside world may be eroding support for socialism, has launched an ideological offensive to try to recapture the hearts and minds of its citizens.

Invoking the threat of "ideological penetration" by its enemies, especially the neighbouring US, the party led by President Fidel Castro is urging its supporters to stand firm in the "clash of ideas" that pits Cuba's brand of one-party state socialism against western-style capitalism.

"The role of the militant in defending the political line of the revolution is now more important than ever," the party's Central Committee said in a report made public last month. In the last few weeks, Cuba's state media has been full of such rallying cries.

These calls seem to be motivated by a fear that support for the party and its official communist creed may be slipping as Cuban society, battered by economic crisis, is becoming permeated by new concepts introduced by Cuba's cautious embrace of economic reforms, tourism and foreign investment.

The Central Committee document made a rare admission that support for "the Revolution" had weakened during the crisis triggered after 1990 by the collapse of the former communist Soviet Union, the island's main political, economic and military ally for three decades.

It said the recession and "contradictions" introduced by new economic reforms, which included "elements of capitalism", had generated fear, uncertainty and disillusionment among the population, as well as corruption and an increase in crime.

The workers' weekly Trabajadores commented: "Our society has suffered not only an economic shock, but an ideological, moral and social one as well. We've seen everything: splits, desertions, betrayals, opportunistic realignments and different kinds of prostitution of the body and the soul."

But the party, whose membership is around 800,000, concluded in its report that the majority of Cuba's 11m people did not want a return to capitalism and maintained their faith in the party and its leadership. Government confidence has also been bolstered by signs of recovery in the economy this year.

Mr Castro's one-party government faces no serious threat from any organised internal opposition, not least because the country's security police continue to contain and suppress small dissident groups. Dissident activity and morale has been low since the authorities blocked a planned public meeting in February by an alliance of government opponents.

But, in the absence of overt opposition, there is notable widespread indifference to official politics. It is striking how many Cubans appear to have chosen to deliberately "turn off" from the party line, shunning meetings, ignoring the state media and disdaining political speeches.

The Central Committee report did recommend greater democracy within the party to cope with different ideas, proposals and opinions, as long as these did not threaten internal discipline and national unity. Cuba's National Assembly (parliament), which usually sits briefly only twice a year, is also working on new statutes to boost its role in the preparation of new laws.

The party decided most Cubans did not want a return to capitalism

The ruling party seems to be seeking to revitalise its image ahead of the next party congress. These long-term strategy meetings are normally held every five years; the last, the 4th Party Congress, was in October 1991. But no meeting has been scheduled for this October and it appears the 5th Party Congress is being quietly postponed until next year or later.

The latest published analysis by the party is a toned-down version of a politburo report delivered in March. That report, which followed the tightening of US sanctions on Cuba in retaliation for the shooting down by Cuban fighters of two small US aircraft, was tougher in its demand for "ideological purity". It also chastised some Cuban academics for straying from the party line.

This raised fears of a possible purge against moderates and reformers. But although the director of at least one academic body, the Centre for America Studies, was replaced, the party stopped short of launching an all-out ideological witch-hunt, apparently because of resistance from within its own ranks.

As additional justification for beefing up its political defences, the Cuban leadership cites a stepped-up campaign of ideological "subversion" against Cuba by US President Bill Clinton's administration.

Cuban officials say this takes the form of hostile radio broadcasts from Miami, active US support for internal Cuban dissidents and more subtle attempts to subvert academic, economic and intellectual groups and turn them against the government.

Cuba's decision in August not to renew the visa of a US diplomat, Ms Robin Meyer, was a response to this US strategy. Havana accused Ms Meyer of trying to organise dissidents in Cuba. Washington ordered out a Cuban diplomat in retaliation.

Tensions rise over Brazil land

By Jonathan Wheatley in São Paulo

Officials from Brazil's land reform agency met leaders of the Landless Rural Workers' Movement (MST) and local security chiefs yesterday in an attempt to reduce tensions between landowners and workers in São Paulo state.

The meetings came after 250 landowners in the Pontal do Paranapanema region in the west of the state held a demonstration at the weekend to mark the resurrection of the Rural Democratic Union (UDR), formed in 1985 to oppose land reform and disbanded two years ago.

The demonstration took place near land recently invaded by MST members.

More than 300 police formed a cordon to separate the two sides.

Mr José Belisário, São Paulo justice secretary, met Mr Raul Jungmann, president of the land reform agency, Incra, to request federal government assistance in settling 2,100 landless families in the Pontal do Paranapanema.

Land has been found for about a third of the families but the MST has led a series of invasions of private farms in recent months in an attempt to force the government to speed the process.

Leaders of the MST were due to meet local Incra officials in São Paulo late yesterday to discuss a temporary halt to the invasions.

Mr Miguel Abeche, the head of Incra in São Paulo, secured a promise from the UDR at the weekend to respect a "truce" between the two sides until at least Thursday.

"We're going to have to do a lot of talking to cool tempers and then reach a timetable of solutions," he told reporters at the weekend.

Land reform has been a source of tension in Brazil for decades, but rose to the top of the political agenda earlier this year after police killed at least 19 landless workers during a demonstration in the northern state of Pará. About 1,800 people have been killed in land conflicts in Brazil in the past 20 years.

President Fernando Henrique Cardoso has promised to find land for 40,000 landless families a year, but the MST says that the current rate of settlements is about 8,000 families a year.

Mexican life dons uniform

Military back at centre of national affairs, writes Leslie Crawford

A new guerrilla threat, corruption in the police forces, and the penetration of drug cartels have thrust Mexico's armed forces to the centre-stage of national affairs.

The army has fanned out over large areas of central and southern Mexico as it steps up counter-insurgency operations against the Popular Revolutionary Army (EPR), a new guerrilla group which last month inflicted attacks on military and police targets.

At the behest of Mexico City's civilian authorities, the army also took over the capital's discredited police force in June. Under civilian control, the 70,000-strong police corps had become widely corrupted, as likely to be involved in criminal rackets as fighting them.

The war against drugs has a longer history. Troops were first deployed to eradicate marijuana plantations 25 years ago. This year 30,000 soldiers will destroy a record 40,000 hectares of marijuana and poppy fields, according to Mr Antonio Lozano, the attorney-general. But because Mexico's anti-narcotics squads have also been corrupted, Mr Lozano has had to enlist army officers to combat drug traffickers, most notably in the border state of Chihuahua, where federal police forces cannot be trusted.

All three roles, acquired within a relatively short time, are redefining the civilian-military equation in Mexico, where power, until now, has rested firmly in civilian hands.

"The army is being mobilised because of the guerrillas, but also because the government is perceived to be weak and lacking in leadership and direction," Mr Felipe Calderón, leader of the opposition National Action party, recently told an international meeting of Christian Democrats in Chile. "The government is succumbing to authoritarian impulses, and we can see this happening with the militarisation of the country," he said.

Mexicans have not been ruled by a military president since 1946. The armed forces as an institution stopped meddling in politics in the 1930s. The government's increasing reliance on the military to maintain social control, therefore, fills many Mexicans with apprehension. It is a feeling many officers privately share.

Ever since October 1968, when the Mexican army was widely condemned for opening fire on student demonstrators in Mexico City, killing between 200 and 300, the military have been extremely reluctant to engage in repression.

"The military has become increasingly disenchanted with having to clean up after the mistakes of politicians," say Mr Steven Wager and Mr Donald Schulz, military historians, in an article published in the Journal of Inter-American Studies and World Affairs.

The Zapatista uprising in January 1994, in the southern state of Chiapas, "once again forced the military to take up arms against the people – and, once again, one of the casualties has been its reputation," Mr Wager and Mr Schulz say.

The army knows it is unwelcome in the countryside. Its search for weapons and guerrillas disturbs rural life, while its permanent presence alongside indigenous communities with rebel sympathies has led to conflicts over politics, drink and women.

"I would rather the government dealt with this problem with more economic aid to these poor communities," says General Luis Garfias, a national deputy in the lower house of Congress.

Gen Garfias, chairman of the national defence committee, has defended the military budget in the face of deep cuts in other areas of government expenditure. Authorised defence spending for 1996 rose 10 per cent in real terms to 11bn pesos ($1.5bn), but it still amounts to less than 0.5 per cent of gross domestic product. Despite limited resources, Gen Garfias says the armed forces over the past five years have grown from 150,000 to 180,000 men (including 60,000 conscripts), who are better trained and better equiped.

Nevertheless, Gen Garfias is uneasy about the new tasks which have fallen to the armed forces. On the military's role in fighting drug traffickers, he says: "Of course we fear being contaminated by corruption." Of the recent army takeover at Mexico City's police department, Gen Garfias complains: "We studied to be soldiers, not policemen."

General Enrique Salgado, the new police chief, says he will strive to instil the principles of "order, discipline, efficiency and service" in his 70,000 men. He and the 50 army officers selected to run Mexico City's police department hope to lead by example.

"I do not think my men will succumb to corruption," Gen Salgado says. "They are young, well trained, and have a bright future ahead of them. They would not risk their careers. The prestige of the army is at stake."

Some observers, however, fear the military's resources are being over-stretched by these expanded roles.

"The armed forces simply do not have the physical resources to take on all these new missions," says Mr Raúl Benítez Manaut, a research fellow at Mexico's National University, UNAM. "They have little experience in urban guerrilla warfare, and they need a bigger budget to handle all these responsibilities."

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday September 17 1996

IN BRIEF

Bayer and Roche in joint venture

Bayer, the German chemicals group, and Roche, the Swiss drugs company, are forming a joint venture in the US over-the-counter market for pain killers and gynaecological drugs. Bayer said it hoped to become "a contender for third place among the nation's largest OTC health-care marketers". Page 20

Mexico launches $750m global offering
With emerging market debt prices at record highs following a six-week rally, Mexico has announced an issue of $750m 20-year global bonds. Lead managers Merrill Lynch and Goldman Sachs have given an indicative launch spread of 450 to 462.5 basis points over the US Treasury long bond. Page 26

ECC announces operations overhaul
English China Clays has announced a large-scale restructuring in an attempt to revive the speciality chemicals and minerals group following a collapse in first-half profits. The UK company said it was embarking on a "root-and-branch" overhaul of its manufacturing, distribution, research and back office functions. Page 24

Frankfurt pushes to new record
Investor sentiment remained strong in Frankfurt and prices pushed deeper into record territory. The DAX index climbed 15.74 to an Ibis-indicated 2,630.24. Page 38

Hong Leong in talks on hotels link
Singapore's Hong Leong Group, the city-state's largest hotel operator, is in talks with several international hotel groups about a possible equity partnership and the establishment of a chain of luxury hotels. Page 23

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Allianz	2729	+	57
Degussa	536	+	8
Ind. Werke	337.5	+	4.5
PWA	214	+	9
Falls			
DLW	102	-	4.2
Lahmeyer	535	-	25
NEW YORK ($)			
Rises			
Citiz Bncp	46⅞	+	14¼
Excel Comm	27¼	+	2⅜
First USA Pay	38¾	+	2¾
Proler	7⅛	+	3⅛
Falls			
M Marietta	20¼	-	1⅛
Pepsico	28½	-	1¼
LONDON (Pence)			
Rises			
Blenheim	420	+	52½
Coda Grp	129	+	21½
Easynet	58½	+	20
Kynoch	30	+	4
Falls			
Memory Corp	22½	-	4
Protean	189	-	80½
TORONTO (C$)			
Rises			
Dayton Mng	10.65	+	1.05
Plaintree Sys	8.95	+	1.10
Tee-Comm El	13.85	+	1.15
Falls			
Andres Wines	13.25	-	0.70

Corel Corp	12.60	-	1.25
Trasset A.T.	30.00	-	2.00
PARIS (FFr)			
Rises			
Banco Popular	899	+	65
Bongrain	2340	+	130
Le Bourget	210	+	89.9
Falls			
Siderpie	1250	-	50
Skis Ross.	1754	-	76
Sodexho	2373	-	47
HONG KONG (HK$)			
Rises			
Dah Sing Fin	26.40	+	1.80
Wing On Co	8.15	+	0.85
Wing On Intl.	13.90	+	0.70
Falls			
ABC Com	2.25	-	0.125
Ngai Hing Hong	3.05	-	0.125
Star Entertain	1.03	-	0.17
BANGKOK (Baht)			
Rises			
Carpets Inter	72.50	+	6.50
First Asia Sec	69.00	+	6.00
Oriental	129.00	+	9.00
Falls			
Inoue Rubber	52.00	-	5.00
Thai Factory	30.00	-	3.25
Thai Poly	54.00	-	6.00

New York & Toronto prices at 12.30. Tokyo closed.

Olivetti shares suspended after 10% fall

By Andrew Hill in Milan

Shares in Olivetti fell a further 10 per cent yesterday after magistrates confirmed they were investigating allegations that the Italian information technology group had published misleading half-year results.

Prosecutors at Ivrea, where Olivetti has its headquarters, said Mr Francesco Caio, chief executive, was formally under investigation for "false corporate reporting".

The news is the latest blow to Olivetti's credibility since Mr Carlo De Benedetti resigned as chairman two weeks ago.

Yesterday, Olivetti's shares were suspended after they fell to L516, an all-time low. Last autumn, institutional investors paid L1,000 a share to subscribe to the record L2,257bn ($1.5bn) rights issue aimed at pulling the group back into profit.

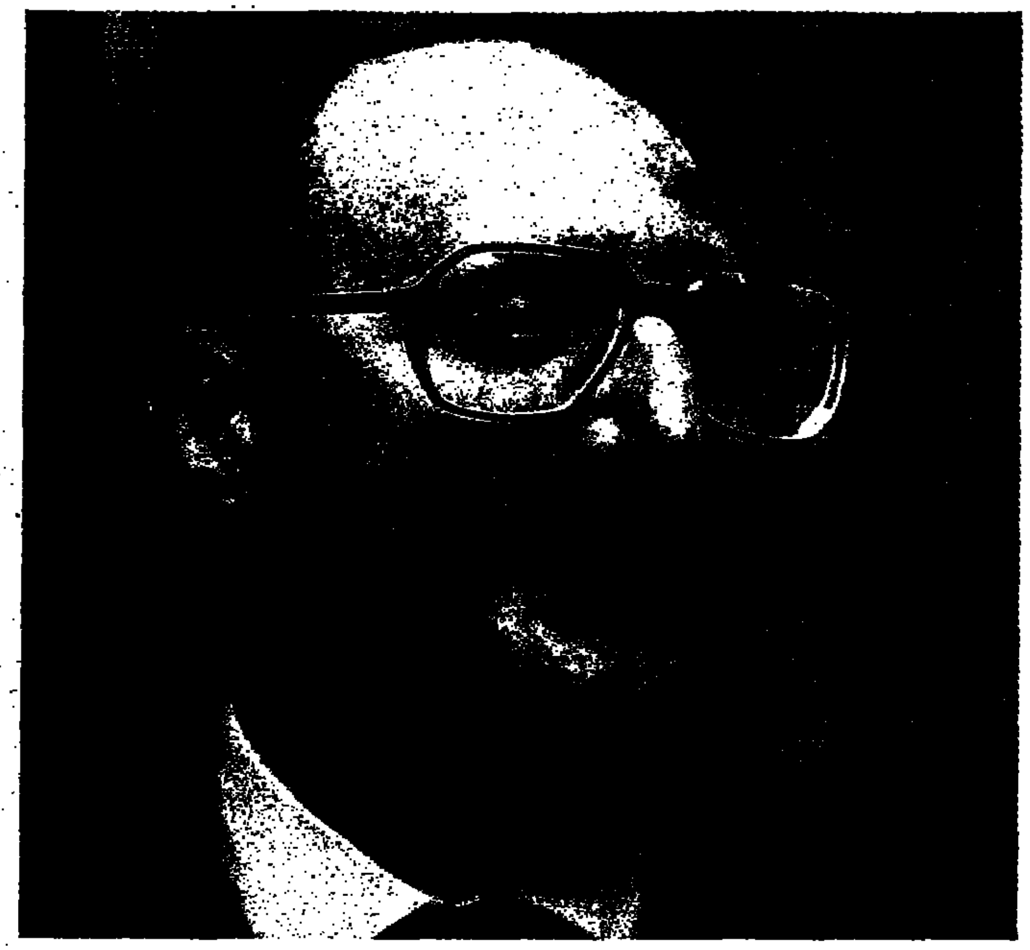
The resignation of Mr De Benedetti, still Olivetti's largest shareholder, at first looked like a victory for Mr Caio, but a day later Mr Renzo Francesconi, director-general of the Olivetti holding company, also resigned, claiming that the half-year results were worse than those published. He testified to Ivrea prosecutors over the weekend.

Olivetti has denied the accusations and has begun legal action against Mr Francesconi, but Consob, the stock market watchdog, is still investigating the claims, fuelling investors' doubts about Olivetti's financial situation.

Analysts were supposed to meet Mr Caio early this week in Milan and London but Olivetti called off those meetings last Friday after Consob asked the group to publish more information on its half-year results.

The outline results were released the same day that Mr De Benedetti resigned and showed a pre-tax loss of L440.2bn for the six months to June 30, and debt of L1,260bn. Olivetti says it stands by those figures and will now meet analysts after publication of the full interim results, which must take place before September 30.

"It isn't good for their image to call a meeting and then cancel it, but they did the right thing to postpone the meeting if they couldn't give all the data," said one analyst.



Trevor Humphries

Under inquiry: magistrates are examining allegations against Francesco Caio, chief executive

Shares in Cir, the holding company through which Mr De Benedetti owns 15 per cent of Olivetti, and Cofide, which controls Cir, also fell sharply in Milan yesterday.

Cir's shares closed down L31.8 at L639.1 and Cofide's stock fell L11.6 to L383.5.

Olivetti's shares are trading well below the value of its 41 per cent stake in Omnitel Pronto Italia, the mobile phone company which is one of the group's most attractive assets.

Analysts value the Omnitel stake at between L700 and L800 per Olivetti share, but Mr Caio has said it will not be spun off from the group.

Samsung closes in on Fokker takeover

By Gordon Cramb in Amsterdam

A rescue of Fokker, the failed Dutch aircraft maker, grew more likely yesterday as Samsung Aerospace Industries, part of the large South Korean conglomerate, said it had issued a letter of intent to take over the company.

Confirmation that a deal is in prospect offers the strongest hope of a solution to Fokker's problems since January, when Daimler-Benz of Germany, its then-parent, halted financial support. Fokker was put into the hands of receivers, which in July sold its profitable components and maintenance arm to Stork, a Dutch group.

Aircraft building has continued at Fokker throughout this year to complete existing orders. Outside suppliers are understood, however, to have warned the receivers that they might terminate contracts unless the company's future is resolved by the end of this month.

Samsung began talks in late August, and the receivers said last Friday that the Korean group had entered an exclusive due diligence process aimed at a possible purchase. Samsung's announcement yesterday to the Seoul stock exchange gave no indication of the price it would pay, although one Korean report put the figure at $100m.

Stork would have to relinquish the service unit, Fokker Aviation, under the terms of its Fl 302.5m ($178m) acquisition if a buyer emerged for the whole group. It appeared last night that Samsung might waive that right, and Stork said it had been a party to talks involving Samsung.

Stork said there had been "good discussions aimed at co-operation, and it is important that Stork and Samsung work together well".

If Samsung wanted Fokker Aviation included in a deal, it would also have to convince Nato countries that it was a suitable owner of the unit, which gains a significant amount of its revenue from upgrading Lockheed F-16 fighters deployed in Europe.

"Any contractor would have inside information" on the latest air defence technology of the western alliance, pointed out Mr Allard de Buijzer, an analyst at MeesPierson, the Amsterdam merchant bank.

Another problem for Samsung will be the drain of skills away from Fokker. Apart from the 2,400 who now work for Stork, more than half the 4,400 employees made redundant on the aircraft building side have found other jobs.

Samsung is thought likely to retain manufacture of the Fokker 70 and 100 aircraft in the Netherlands and build a 130-seater in South Korea.

Deutsche Telekom quits pay-TV group

By Frederick Stüdemann in Berlin and Raymond Snoddy in London

British Telecommunications, the UK group, is in negotiations with the Kirch Group to launch interactive services using digital satellite television in Germany. The move could bring BT into direct competition in the German market with Deutsche Telekom, the operator that is to be privatised in November.

The news of plans to introduce satellite home shopping and banking services in Germany came as Deutsche Telekom confirmed that it is about to pull out of MMBG, the German digital pay-TV consortium in which it has a 27 per cent stake.

The decision of MMBG's main shareholder to quit the project means it is now on the verge of collapse. Telekom plans to develop its own pay-TV marketing operation based around its cable network.

Telekom said it would explain its decision on Thursday to MMBG's other shareholders, who include the German media group Bertelsmann, Canal Plus of France, several of Germany's public sector broadcast networks and Debis, a unit of Daimler Benz. MMBG was set up last year to establish a technological standard for the decoders needed to receive digitally-transmitted television signals and to create a uniform broadcasting platform and billing mechanism.

Telekom is understood to have made its decision after it became clear that MMBG had failed to meet these aims. The German pay-TV market was split earlier this year when the Munich-based Kirch Group launched a rival decoder to the one being developed by MMBG.

Telekom is now believed to be working on its own decoder to be used with its cable TV network which reaches 16m households. The network is being digitalised, an operation which is scheduled to be completed next year. Then, according to Telekom, the cable network will be able to offer 150 channels.

The talks between BT and Kirch would involve a joint venture with DF1, the digital satellite company which launched 19 channels in July. British Sky Broadcasting has a 49 per cent stake in DF1 and talks between BSkyB and BT on the launch of digital satellite TV in the UK would provide a model.

Telekom's decision on MMBG is a further blow to the ambitions of Bertelsmann. It has already suffered from the withdrawal of BSkyB from a planned venture and the decision of Canal Plus, another sometime partner, to merge with NetHold, a pan-European pay-TV company.

Hopewell in talks over Cepa disposal

By John Ridding in Hong Kong

Hopewell Holdings, the Hong Kong property and infrastructure group controlled by Mr Gordon Wu, is discussing the sale of all or part of its Consolidated Electric Power Asia (Cepa) subsidiary in a move to raise funds.

In a statement to the stock exchange yesterday, Hopewell announced it was in negotiations with a number of independent parties. But it said no decision had been taken about whether to sell stakes in Cepa, which builds and operates power plants in Asia.

Analysts in Hong Kong played down the prospect of a sale of all of Hopewell's 60 per cent holding in Cepa, which they said could raise more than HK$13bn (US$1.7bn).

"If there is a deal – and we have seen a lot of false starts at Hopewell – it is more likely that a minority stake would be sold," said one infrastructure analyst, pointing to the growth potential at the power division and the lacklustre performance in Hopewell's other activities.

The possible sale of Cepa shares is Mr Wu's latest strategy to raise funds for Hopewell, which needs to cut its borrowings and to find capital for other projects. These include an elevated rail venture in Thailand and roads in southern China.

Mr Desmond Cheung, an analyst with Vickers Ballas in Hong Kong, estimates that Hopewell's total debts, including those consolidated from its joint ventures in China, amounted to HK$23bn at the end of June last year.

Borrowings have grown further in the latest financial year, he says. Last month, Hopewell abandoned its most recent fund-raising scheme, shelving plans to spin off its transport activities in the face of weak investor interest.

Potential candidates to buy a stake in Cepa include GPU, the US utility which is expanding in international markets.

The Hong Kong power company has established itself as a pioneer in the region's independent energy sector, winning contracts in China, Indonesia and the Philippines. At the end of June, it launched commercial operations at the Shajiao C power plant in southern China, and is today scheduled to sign a letter of intent to build four 660MW units in Shenzhen, across the border from Hong Kong.

Some projects, however, have encountered problems. Last month Indonesian officials warned that a contract to build a plant in Java could be terminated because the scheme is behind schedule.

Although now completed, delays in the construction of Shajiao C curbed profits for the year to the end of June.

Irish press group in $710m NZ purchase

By Terry Hall in Wellington and Raymond Snoddy in London

Mr Tony O'Reilly's Independent Newspapers of Ireland yesterday embarked on its biggest deal – a I£442m ($710m) offer for the 55 per cent of Wilson and Horton, the Auckland-based newspaper and magazine group which it does not already own.

Last year the Irish group paid NZ$280m (US$195m) to Brierley Investments for a 28 per cent stake in Wilson and Horton, which publishes the country's biggest circulation paper, The New Zealand Herald. Following additional share purchases, the Irish group's stake currently stands at 45.15 per cent.

"This puts us into a different league and we are very happy about that," said Mr Brendan Hopkins, the Independent Newspapers director responsible for the international part of the business, which now includes media interests in South Africa, France and Australia.

Mr John Meagher, deputy chairman of Independent Newspapers, said his company – which also recently paid NZ$86m to buy the commercial radio network Radio News Zealand – was particularly attracted "to the stable and progressive environment New Zealand had to offer".

The deal will involve a new I£400m borrowing facility, but the company said yesterday its interest cover would remain "comfortable".

The acquisition would have a marginal effect on earnings in the short term but is expected to deliver "significant benefits thereafter".

The offer is being made by Independent Press Communications, a wholly-owned subsidiary of the Dublin media group. IPC is offering NZ$10.50 a share in cash, compared with the closing price of NZ$9.70 yesterday. IPC said it would make both a stand in the market and a written offer for further shares in October.

Shareholders could opt to reinvest the cash in an offering of NZ$320m of cumulative exchangeable preference shares.

These shares can be converted in seven years' time into ordinary shares in IPC's parent company on a one for one basis or be redeemed for cash for full face value. The company said it would apply to have both the new preference shares and Independent Newspapers plc shares listed on the New Zealand Stock Exchange.

Last week the Irish group announced a 28 per cent rise in pre-tax profits to I£26m for the half-year to the end of June. Wilson and Horton reported a 19 per cent increase in operating earnings before interest and tax to NZ$39.7m.

O'Reilly: international growth

Bayer and Roche in US OTC tie-up

By Wolfgang Münchau in Frankfurt

Bayer, the German chemicals group, and Roche, the Swiss drugs company, are forming a joint venture in the US over-the-counter market for pain killers and gynaecological drugs.

Bayer said it hoped to become "a contender for third place among the nation's largest OTC health care marketers". Roche said it wanted to gain wider market penetration for its products, which it has been marketing indirectly through Proctor & Gamble, the consumer goods company.

According to yesterday's agreement, Bayer will take responsibility for sales and marketing, while Roche will transfer the marketing of its OTC products from P&G to Bayer.

The agreement covers brands with annual sales of around $275m, of which Roche's products will make up about two-thirds. The two companies refused to divulge further financial details.

The drugs do not include Bayer's best-selling Aspirin and Alka-Seltzer brands, which the German company regards as global products.

The drugs to be included in the joint venture are Bayer's Actron and Vanquish analgesics, and Midol menstrual pain reliever and Myselex-7 vaginal yeast infection treatment. Roche will bring in Aleve, an analgesic, and the recently launched 'Femstat 3' yeast infection treatment.

The two companies confirmed that new products could later be brought in to the joint venture.

"It makes sense to bring in smaller products to achieve the right critical mass. But since Bayer did not bring it its main assets, the venture will therefore have little impact on Bayer's earnings," said Mr Ronald Köhler, chemical analyst at BHF-Bank.

The announcement came as Bayer gave details of a wide-ranging restructuring of its internal organisation. Under new structures, Bayer will group its business units into five areas: chemicals; polymers; health care, agriculture and Agfa-Gevaert, the maker of films and imaging equipment.

Mr Manfred Schneider, chairman, said the changes were designed to "promote a corporate culture that encourages innovation and is oriented towards quality and achievement".

Lex, Page 18

Polish banks struggle to the altar

A four-way merger will create sector's largest group, but problems remain

The Polish banking sector, still made up largely of small, local and under-capitalised banks, yesterday saw the announcement of a somewhat reluctant merger which will form the country's largest banking group.

It is not quite a shot-gun marriage. But none of the parties to the impending merger of three regional banks with bank Pekao SA see it as a marriage made in heaven. At best, the creation of a new banking group accounting for nearly 23 per cent of the assets of the banking system is seen by the partners as a marriage of convenience.

The merger is between four of the nine privatised state-owned commercial banks: Szczecin-based Pomorski Bank Kredytowy (PBKS); Lublin's Bank Depozytowo Kredytowy (BDK); Lodz-based Powszechny Bank Gospodarczy (PBG); and Pekao SA, the former communist-era hard currency savings bank. It is designed to achieve the critical mass which the government believes is needed if Polish banks are to compete with foreign banks and help to finance the investment required to sustain rapid growth.

"I share the government's view on the need for bigger banks with more capital behind them. But it is not so easy to bring about a merger when so many bank boards and so many management egos are involved, and when the respective local authorities are opposed," Ms Hanna Gronkiewicz-Walz, president of the National Bank of Poland, said last week.

Previous Solidarity governments, which started the privatisation process, hoped that all nine regional banks would be privatised by the end of 1996. But frequent government changes, culminating in the return of reformed former communists to power in September 1993, delayed an optimistic time-table.

Hanna Gronkiewicz-Walz: sees need for bigger banks

The process began with Poznan-based Wielkopolski Bank Kredytowy (WBK) in April 1993. In a pace-setting move, the European Bank for Reconstruction and Development (EBRD) bought a 28.5 per cent stake in WBK. It was then joined by Allied Irish Bank (AIB).

AIB, which signed a World Bank-sponsored "twinning agreement" with WBK, has built up a 36.3 per cent stake with a view to eventual control. "We would not have taken a minority stake had we not got the chance to take an eventual majority stake through first refusal on the EBRD's holding," Mr David McCrossan, managing director of AIB European Investments, said last week.

While foreign bankers remained cautious, the Dutch ING group, another big ambitious bank from a small country, became the strategic investor in the subsequent privatisation of Bank Slaski in 1994. It built up a 54 per cent stake in the bank and also made a 10 per cent portfolio investment in the Bank Przemyslowo-Handlowy (BPH), the next to be privatised.

The EBRD was obliged to take up a 15 per cent stake in BPH as the underwriter of the poorly-subscribed share issue, while a few months later Poland's BIG bank rescued the privatisation of Bank Gdanski, which met a similarly poor reception from investors.

Faced with the difficulty of attracting foreign strategic investors, and with a scarcity of Polish capital in a still undeveloped stock market, the government came up with a new privatisation strategy. This called for the creation of two big state-owned groups, one centred on Bank Pekao SA and the other around Bank Handlowy, the former foreign trade bank, followed by their eventual privatisation.

But the government's decision to push the partially privatised BBP into the arms of Bank Handlowy without properly consulting its foreign minority shareholders, the EBRD and ING, met strong protests from both banks.

Because of the furore, the plans to make Bank Handlowy, the most profitable Polish bank, into the core of the second merged group have been quietly dropped. This has left Mr Cezary Stypulkowski, Handlowy's president, free to press ahead with plans for the privatisation of the bank.

Bank Pekao SA, meanwhile, pushed forward its difficult negotiations with the Lublin, Szczecin and Lodz-based regional banks whose combined assets total 36,007m zlotys ($12,926.6m), 23 per cent of the 154,877m zloty total assets of the Polish banking system. The nuptial contract has already gone through 14 drafts.

The aim is to pool capital and to allow each of the four partner banks to gain from the others' specific area of expertise – credit cards, foreign exchange or corporate banking – while remaining sufficiently independent to retain their individual regional bases.

"The new group might develop into a single bank eventually. But at the outset, each bank will remain a separate legal entity and the group will be run by a policy committee in which Pekao will have two members and the others, one each," said Mr Andrzej Szukalski, president of the PBG.

"The assumption behind the consolidation of the four banks is that it will be easier to privatise a big bank than four smaller ones. But we don't really know yet whether the merger will make privatisation easier or not," he said.

Anthony Robinson and Christopher Bobinski

Leading Polish banks by equity at June 30 1995 (zlotys m)

Bank	Equity 1993	Equity 1994	Equity Jun 95	94/93 Change %	Jun 95/ Dec 94 Change %
BGZ	[illegible]	[illegible]	[illegible]	[illegible]	4.3
Bank Handlowy	950.22	1,095.55	1,484.50	15.3	35.5
PKO BP	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pekao SA	312.33	317.39	662.00	97.7	7.2
Bank Slaski (1)	[illegible]	[illegible]	[illegible]	115.7	91.0
BPH (2)	267.25	291.67	479.30	9.1	64.3
Bank Gdanski	[illegible]	[illegible]	[illegible]	0.0	98.7
Pow. Bank Kredytowy	210.27	195.61	391.20	(7.0)	100.0
Bank Zachodni	[illegible]	[illegible]	342.80	15.0	65.5
BRE	75.90	133.55	311.70	76.0	133.4
BIG (3)	[illegible]	[illegible]	[illegible]	260.6	61.5
Bank Dep. Kredytowy	152.52	158.89	276.20	4.2	73.8
Polski Bank Rozwoju (4)	[illegible]	[illegible]	257.30	8.4	34.5
Wielkopolski Bank Kredytowy (3)	79.82	82.40	227.50	3.2	176.1
Pomorski Bank Kredytowy	[illegible]	[illegible]	222.90	[illegible]	42.9
Pow. Bank Gospodarczy	121.13	121.13	217.30	0.0	79.4
Sectoral Average	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes: (1) Excluding the general risk reserve and net income for the year. (2) Excluding restructuring bonds and $US denominated bonds and the corollary effect on equity. (3) Excluding profit for the year. (4) Unable to reconcile the difference.

After a balanced 1994, sectoral equity growth surged ahead of balance sheet growth in first half 95. Sectoral equity growth should remain superior in 2nd half of 1995 and 1st half 1996. Sources: Central Bankowa and Salomon Brothers.

Veba plans DM600m telecoms investment

By Michael Lindemann in Düsseldorf

Veba, the German industrial combine which is branching out into telecoms, yesterday said it would spend DM600m ($396.7m) to build and operate a telecoms network built on gas pipelines which criss-cross Germany.

In an effort to keep up with competitors such as Mannesmann and RWE, two other German conglomerates expanding into telecoms, Veba said it had signed a contract with Ruhrgas, Germany's biggest gas distributor, for 18 years.

This will give Veba access to 4,000km of fibre-optic cable to carry sophisticated telecoms services, connecting Germany's 50 biggest cities. Ruhrgas said it was in talks with about 15 other gas distributors in the hope of creating a nationwide telecoms network.

Veba's deal comes as several of Germany's biggest companies are scrambling to expand into telecoms and create networks which will make them as independent as possible of Deutsche Telekom, the state-owned monopoly due to be partially privatised this year.

In July, Mannesmann won a stake in the network run by the federal railway system Deutsche Bahn, the second biggest in Germany behind that operated by Deutsche Telekom.

The other large consortium, grouping RWE, Viag and British Telecommunications, is adapting Germany's electricity grid to use it as a telecoms network.

Analysts still speculate that all the electricity grids, including those owned by Veba's own electricity subsidiary PreussenElektra, will eventually be linked into one network because of the excess network capacity that is forecast even after full telecoms liberalisation.

Veba will not take a stake in the new company being created by the gas distributors but will simply be able to use their network capacity, which will also be available to other operators.

Veba's own infrastructure company, Veba Transport Net, has bundled together the electricity grid owned by PreussenElektra and 1,200km of fibre-optic cable which runs alongside the gas pipelines owned by Wingas, a subsidiary of the BASF chemicals group with which Veba finalised a deal in February.

EUROPE/AFRICA NEWS DIGEST

Old Mutual warns on rand value

Old Mutual, South Africa's largest institutional investor, yesterday warned that sentiment in the Johannesburg markets would not improve until exchange controls were abolished. Mr Mike Levett, chairman of the life assurer and mutual fund manager, said uncertainty over the true value of the rand was undermining the market. It has lost a quarter of its value against the dollar since February.

Announcing a solid full-year performance for Old Mutual, Mr Levett said its insurance and investment products would be "very significantly different" when exchange controls were lifted. Analysts said the controls were frustrating attempts by local institutions to finalise asset swaps approved by the South African Reserve Bank.

Old Mutual had committed about 2 per cent of its assets overseas, said Mr Johannes van der Horst, general manager of investment. "There is a lot of inertia, but more could be done at the drop of a hat if South Africa's appeal as an investment basket were to materialise." Total assets under management rose 28 per cent to R198.1bn ($44bn), just short of the group's target of R200bn and slightly underperforming the stock market.

Mark Ashurst, Johannesburg

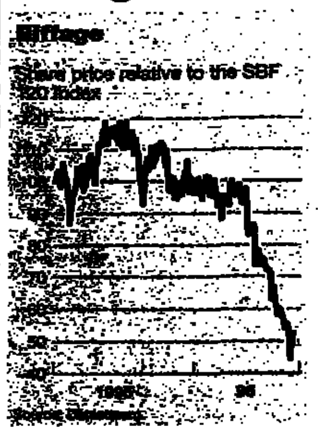
STN sale attracts interest

About 30 companies have submitted bids for the German defence electronics group STN Atlas, and up to eight will be short-listed within the next two weeks, executives close to the sale said. About half the bidders were international companies, increasing the likelihood that a non-German group would make it to the last round of the bidding, something which the German defence ministry has been concerned to prevent. STN makes sophisticated electronics used by Germany's armed forces.

The international bidders are believed to include US defence contractors such as Lockheed, Litton and Hughes; UK-based British Aerospace and Thomson of France. Mr Jobst Wellensiek, administrator of the bankrupt Bremer Vulkan shipping group which used to own STN, suggested the company be sold to a consortium. Mr Wellensiek said the company would be sold for between DM600m and DM800m ($396.7m–$529m), but declined to comment on the size of its debts.

Michael Lindemann, Bonn

Eiffage sees loss for year



Shares dropped sharply at Eiffage, the French construction group, yesterday after it announced it was likely to make a loss in 1996, the first time in 12 years. The shares closed down 5.75 per cent at FFr377, after diving 17 per cent earlier. Mr Jean-François Roverato, chairman, said low orders for buildings and road construction explained losses of FFr890m ($172.56m) for the first six months, and predicted a similar loss for the full year.

Most of the group's losses were from FFr850m in provisions to cover fixed costs, property write-downs and a FFr200m restructuring to return Eiffage to profits for 1997. Mr Roverato said the group would undertake a programme of asset sales totalling FFr1bn, split equally between the sale of subsidiaries and of property investments. It also planned to raise an additional FFr1bn – probably through a bond issue.

Andrew Jack, Paris

Last bids in for Thomson

French rivals Alcatel Alsthom and Lagardère yesterday submitted their final bids to buy the state-owned Thomson electronics group. The French finance ministry said it would need several weeks to pick the winner. Neither revealed the value of its bid. *David Buchan, Paris*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 17.09.96: Pool purchase price £/MWh	Final Prices for Trading on 20.08.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.84	14.89	15.93
0100	11.87	14.89	15.93
0130	11.87	14.89	15.93
0200	11.87	14.89	15.93
0230	11.87	9.49	10.53
0300	11.87	9.49	10.53
0330	11.87	9.49	10.53
0400	11.87	9.49	10.53
0430	11.87	9.49	10.53
0500	9.03	9.49	10.53
0530	9.05	9.12	10.16
0600	9.04	9.12	10.16
0630	9.05	9.12	10.16
0700	9.87	12.84	13.88
0730	14.18	12.96	14.01
0800	20.79	17.15	18.59
0830	25.85	23.61	25.54
0900	34.27	37.31	43.09
0930	46.14	65.88	74.87
1000	50.38	74.79	86.05
1030	50.89	65.30	76.07
1100	52.23	70.05	81.70
1130	75.03	106.31	120.08
1200	77.89	112.74	127.18
1230	73.84	108.45	122.00
1300	68.36	94.84	108.29
1330	32.54	59.53	68.10
1400	26.51	52.46	60.91
1430	24.29	47.77	55.38
1500	23.86	43.51	50.34
1530	25.08	44.18	51.21
1600	31.47	49.20	57.18
1630	49.08	70.98	81.28
1700	54.42	86.97	97.57
1730	48.74	78.67	87.79
1800	34.60	40.90	46.85
1830	19.98	23.85	26.85
1900	11.80	17.87	19.47
1930	15.14	16.47	17.70
2000	27.26	16.10	17.20
2030	37.15	16.39	17.58
2100	33.35	23.49	24.85
2130	18.18	23.58	24.93
2200	15.60	23.18	24.45
2230	13.07	22.30	23.38
2300	13.02	22.18	23.21
2330	12.89	12.80	13.84
2400	9.84	12.80	13.84

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.67/MWh becomes 1.867p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6788 between 9.00am and 5.00pm Monday to Friday.

ING still smitten by the allure of Barings

Dutch group is untroubled by pay discrepancies created by takeover of the UK merchant bank

At least 10 people at Barings earned more in salary and bonuses last year than Mr Aad Jacobs, who as chairman of ING, the Dutch banking and insurance combine, secured their jobs by taking over the UK merchant bank brought down by the Singapore-based trader, Nick Leeson.

ING paid Fl 1.7bn ($1bn) for Barings, strengthened its capital by Fl 445m and spent £25m ($39m) in upgrading technology and controls – whereupon Barings failed to meet the 1995 profit targets set by its new parent.

Nor did it stop there. Dozens of important traders defected this year, most of them to Deutsche Morgan Grenfell, whose subsequent embarrassment over mismanaged funds may have washed some of the sting from ING's wound.

Mr Jacobs, who rose from an investment manager on the insurance side to head the five-year-old group, proclaims himself untroubled by the remuneration discrepancy, and makes it clear that the outcome still looks good on his calculator.

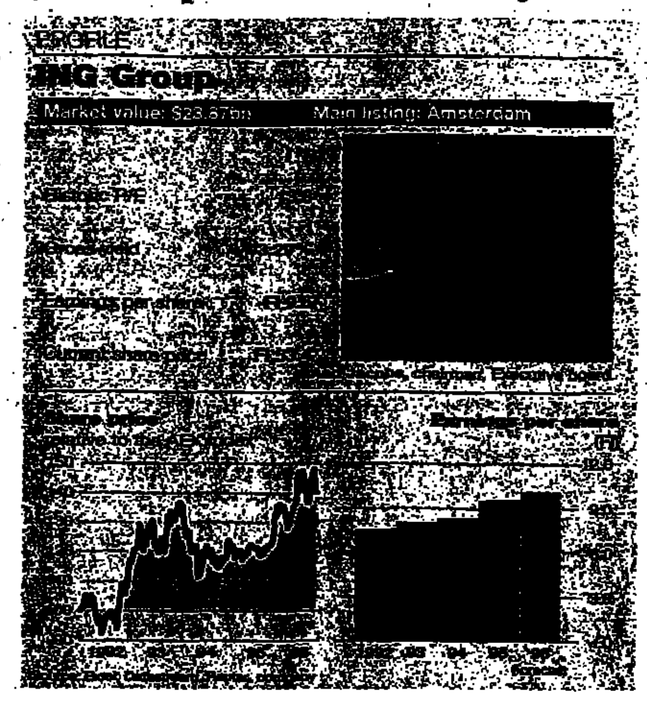
"We lost about 60 people, we have hired 30 and kept the trading business at the same level and maintained market share in all markets," he said in an interview. "The positive news is that we are now working on a much lower cost-base with the same income."

Some 18 months after the purchase, the allure of owning Barings has not worn off. "Everybody wants to do business with us – they like the fact that we acted bravely last year."

Such admiration has lent prominence to other parts of the group, although that may be better for opening doors than gaining actual business.

Mr Li Peng, the Chinese premier, is said to have spent 20 minutes inquiring after the health of Barings during a Beijing meeting last winter aimed at winning licences there for Nationale-Nederlanden, ING's insurance division. Nat-Ned still awaits permission to tap China's $1bn retail market.

But "in the UK and in a number of other parts of the world, Barings is originating deals where ... it can offer the client not only a bright idea but also can take care of the finance ... We have big deals we were certainly not invited to, let us say, two years ago." In June, the bank put together a £2.6bn revolving credit for Scottish Power, the acquisitive UK utility which Barings was advising.



Deals such as that – along with the rescue of Barings itself, and an expertise in emerging markets – mask the extent to which ING remains a Dutch company. More than half its staff based in the Netherlands, and at least a similar proportion of its gross income still comes from the domestic market.

Group interim results released last month show that of Fl 2.76bn in profits before tax and internal adjustments, Fl 1.99bn was home grown.

Today's annual Dutch budget aims to put the country in readiness for European monetary union. It is on this year's performance that eligibility for the single currency is due to be judged, and Mr Jacobs shares a conviction prevalent among his peers in the country's boardrooms that – although government debt and budget deficit levels remain high – the guilder will be among the participating currencies.

For ING, however, the costs are more certain than the benefits. The bill for revamping technology alone will be Fl 200m over the next few years, and could go higher. Along with that, earnings from foreign exchange dealing among member currencies – worth perhaps an annual Fl 100m – will disappear.

Freed from currency risk, the outward looking Dutch manufacturing and service sectors could turn to banks elsewhere in the Emu zone for funds. Industrial counterparts in countries such as Germany and France, either more tied or more loyal to local institutions, might not provide a similar flow in the other direction.

"It is a two-way street," in insurance as well, Mr Jacobs acknowledges. But "fortunately this is, as far as I can see, one of the countries with the highest competition. I wish our foreign competitors a lot of success."

He couples this cockiness with a warning that Emu is a compelling reason for Dutch companies to lower their cost base. In the local market, even with awkward severance arrangements, ING has been shedding about 1,000 employees a year since the 1991 merger.

As Mr Jacobs has found, staff at Barings do not come cheap, but the group is seeking to realign its pay structure to reward longer-term commitment.

"It is not our intention to lower bonuses," he says. "If we want to work in the City we have to behave as the customs are in the City, and I don't have any problem with that."

Gordon Cramb

A serialisation by the Financial Times of All That Glitters, a new account of the Barings collapse, begins on Wednesday.

Viacom in Scandinavian deal

By Raymond Snoddy

Modern Times Group, the media subsidiary of Kinnevik, the diversified Scandinavian company, will today) announce a deal with Viacom of the US to transmit four of its channels on its satellite systems.

The deal will allow MTG to offer Nickelodeon, the children's channel, the Sci-Fi channel, and the two Viacom music channels, MTV and VH1, to 800,000 subscribers.

MTG, whose interests range from television channels such as TV3 and TV1000 to Metro, a recently launched free newspaper aimed at travellers on the underground in Stockholm, had revenues of SKr4bn ($598m) last year.

The company made a loss, however, because of a decision to transfer its channels from the Astra satellite system to three satellites beamed at Scandinavia – a move that will ultimately save money.

MTG was keen to sign up the four new channels to expand the size of the programming package. MTG is planning to follow the strategy of BSkyB of the UK, of adding as many channels as possible to the overall package. "Whatever Sky does, we do too," Mr Pelle Tornberg, MTG president, said yesterday.

Apart from Scandinavian channels, MTG already offers Eurosport, Discovery and Cable News Network.

The company is also considering adding Sky News and some of the channels about to be launched by Granada Television, of the UK, in a joint venture with BSkyB.

MTG is the leading pay television company in its region. It currently charges SKr69 a month for its basic service and SKr199 for its premium services.

The addition of the new channels is not expected to lead to a large increase in the overall cost to consumers. The marketing package will be adjusted so that the larger package of basic channels will be more expensive, while the cost of the premium movie services will be reduced in an attempt to increase the number of subscribers.

France Télécom Polish offer

By Christopher Bobinski in Warsaw

France Télécom, the French state-owned telecoms company, says it wants to operate a high-frequency direct communications system (DCS) mobile telephone network being established by the Polish government. It has offered to drop a court case against the Polish government in return for the licence.

The offer follows last week's visit to Poland by Mr Jacques Chirac, the French president, who reportedly said it was "unimaginable" that France Télécom would withdraw from Poland. His comments indicate that the French government wants France Télécom's dispute with Poland resolved amicably. This is essential if the French company is to mount a successful bid for stock in Telekomunikacja Polska SA (TP SA), Poland's state-owned telecoms operator which the government is considering privatising next year.

France Telecom is a partner, with TP SA and Ameritech, in Centertel, an NMT system mobile phone network which has enjoyed a lucrative monopoly since starting up four years ago. Centertel now faces competition from two, more modern, GSM systems.

Earlier this year, France Télécom and its US partner took the Polish government before international courts alleging that promises of a GSM licence for them and TP SA had not been honoured. The new licence would have replaced their NMT licence once the frequencies needed for the GSM system were freed from military use.

Instead, one licence was awarded to Era GSM, which is led by Elektrim, a listed telecoms and power equipment producer with Deutsche Telekom and US West as shareholders. The other went to Polkomtel, a consortium of local companies with TeleDanmark and Air Touch of the US.

Era GSM says it will have 40,000 subscribers by the end of this year and around 700,000 by the end of next. Centertel has 110,000 subscribers.

EUROPEAN NEWS DIGEST

Générale des Eaux sees profit for year

Mr Jean-Marie Messier, chairman of Générale des Eaux, confirmed that the company would return to profit this year "at a modest level, because of exceptional elements". Générale des Eaux posted a net loss of FFr3.68bn ($714m) in 1995. Mr Messier told Le Figaro newspaper that, from 1997, the results should be more representative of the group's global potential. Debt should stabilise in 1996 and be aimed to reduce it from 1997.

Mr Messier said that for any subsequent telecoms joint venture, Générale des Eaux would be looking for a partner with a European vision of the market. "In that respect, the most natural axis is a Franco-German one," he added. The company also had strong links in radio-telephony with SBC Communications, of the US, and the UK's Vodafone. He said that during 1996 almost half the group's shareholdings would be liquidated, for example its stake in Accor – sold to Fnac – and its minority stake in Blenheim Group, the UK exhibitions organiser, which is for sale. *AFX News, Paris*

Linotype-Hell shares bought

Commerzbank said Linotype-Hell's outstanding shareholders had agreed to sell it their 700,000 shares, about 29 per cent of the company's share capital. Commerzbank offered shareholders DM95 a share from August 2 until September 13. "Like Siemens and Frega Vermoegensverwaltungsgesellschaft, which together hold 50 per cent plus one share of Linotype Hell's share capital, the bank will dispose of these shares to Heidelberger Druckmaschinen once the federal cartel authority has signified its approval," the bank said. *AFX News, Frankfurt*

Poland may drop reserve rules

Poland's central bank is considering lifting banks' obligatory reserve requirements next year. Mr Witold Kozinski, National Bank of Poland deputy president, said: "It seems to me that the banking crisis is subsiding – fewer banks have failed lately. If everything continues in that direction, next year we can do something to take a burden off banks – I have in mind freeing banks from the burden of obligatory reserves."

The country has 1,500 such banks. Obligatory reserves, currently at 17 per cent and 9 per cent for zloty call and term deposits respectively, were deemed necessary after several banks failed in the early 1990s. The Polish Banking Association and Banking Guarantee Fund have recently been lobbying for their reduction. *Reuter, Warsaw*

NCC acquires R&S

NCC, Sweden's second-largest construction group, has acquired Denmark's Rasmussen & Schiotz in a deal which will make it the leading Danish building company. NCC said it was paying DKr310m ($53.2m) and R&S's owner, R&S Holding, would inject DKr150m of fresh capital. Mr Jan Sjöqvist, NCC chief executive, said the transaction would produce synergies for NCC in several areas and would enhance earnings this year after acquisition costs. Three of R&S's four divisions, barring its German construction operations, were included in the purchase, as well as interests in two associated businesses. The acquired companies will be merged with NCC's three Danish subsidiaries to form a new group, R&S/Amton, with annual sales close to DKr4bn.

Greg McIvor, Stockholm

COMPANIES AND FINANCE: THE AMERICAS

US utilities in $4.8bn merger

By Richard Tomkins in New York

The wave of mergers among US utilities continued yesterday with another multi-billion dollar deal. Ohio Edison and Centerior Energy are to form a new holding company with an equity value of about $4.8bn.

The merger will create the 11th largest quoted utility in the US, based on its expected electricity sales of 64bn kWh. It will be called First-Energy and will be headquartered in Akron, Ohio.

As in many previous utilities mergers, yesterday's deal involves two neighbouring electricity companies combining to share costs so that they can cut power prices and become more competitive.

Until recently, quoted electricity companies in the US had enjoyed monopolies in the territories they served. But the industry is now in the throes of deregulation, opening the way for companies to court customers in each other's territories.

The Akron-based Ohio Edison and its subsidiary, Pennsylvania Power, serve 1.1m customers in north-eastern and central Ohio and western Pennsylvania.

Centerior Energy, based in Independence, Ohio, is the holding company for Cleveland Electric Illuminating and Toledo Edison, serving 1m customers in northern Ohio.

The merger will be achieved through a tax-free, stock-for-stock transaction. Ohio Edison's shareholders will get one share in the new company for each share they hold, while Centerior Energy's shareholders will get 0.525 of a share in the new company for each of their existing shares.

At midday yesterday, Ohio Edison's shares were down $1 at $19⅞ and Centerior Energy's up $1⅛ at $9⅝.

Ohio Edison and Centerior Energy said they expected the merger to yield savings of $1bn in the next 10 years through the elimination of duplicate activities, improved operating efficiencies, lower capital costs and the cutting of 900 jobs from the combined workforce of 11,000.

Mr Robert Farling, chairman and chief executive of Centerior Energy, described the merger of the two companies as "a natural". "Together, we form a larger, stronger competitor, which is essential to our success as our industry continues to evolve," he said.

The merger comes days after shareholders approved a three-way merger between IES, WPL and Interstate Power to form a new regional utility – Interstate Energy – to serve 1m customers in the Midwest.

Columbia TriStar names stand-in

By Christopher Parkes in Los Angeles

Day-to-day control of Sony's Columbia TriStar Pictures has been taken over by Ms Lucy Fisher, deputy to chairman Mr Mark Canton, who was removed at the weekend.

Although she is considered a potential permanent successor, a new chairman is unlikely to be named until uncertainty about the future of the management structure at Sony Pictures Entertainment, the division responsible for the Japanese group's US television and movie operations, has been resolved.

The weekend changes followed an intervention by Mr Nobuyuki Idei, Sony group president, who was reported to be angered by the highly-publicised search for a successor to Mr Canton.

A poor performance by Columbia TriStar this season has left it labouring as the weakest performer among Hollywood's leading studios, highlighting Sony's persistent difficulties with its six-year-old investment in film-making.


Demi Moore in *Striptease*, a flop for Columbia TriStar

The future of Mr Alan Levine, SPE president, whose first choice as studio head, Mr Arnold Rifkin, dropped out of the race on Friday, has been thrown into question.

Ms Fisher joined Columbia six months ago from Warner Bros.

Hewlett-Packard upgrades servers

By Louise Kehoe in San Francisco

Hewlett-Packard yesterday announced new higher-performance versions of its enterprise servers – computers that are widely used as the hub of office networks and for creating commercial sites on the Internet.

The company claimed that the performance of its new HP 9000 enterprise servers was double that of previous models and outstripped competing machines from Sun Microsystems, International Business Machines and Digital Equipment.

"These products hit the sweet spot of the market, where there is tremendous growth," said Ms Carol Mills, general manager of HP's Unix server business. "We see these products having a multi-billion dollar effect on our company."

Demand for Internet servers is "exploding" Ms Mills said, because businesses that have completed pilot tests are now deploying large-scale systems.

"They know they need high performance and high bandwidth to turn the 'World Wide Wait' into the World Wide Web."

The HP computers incorporate a new high-speed 64-bit version of the company's PA-Risc chip, which it claims is now the world's fastest and most powerful microprocessor.

In benchmark tests conducted by HP, the new microprocessor achieved speeds double those of chips used by Sun Microsystems, its biggest rival in the Unix server market.

Independent estimates put HP and Sun "toe-to-toe" in terms of system performance, said Jean Bozman, an analyst at International Data Corporation, a market research group. "HP is now extremely competitive and slightly faster than Sun."

However, Sun Microsystems dismissed HP's new systems as merely a "late-life kicker" which improved the performance of old technology.

Intuit sells payment-processing arm

By Louise Kehoe

Intuit, the US software group which publishes Quicken, the top-selling personal computer finance software, has agreed to sell its electronic bill-payment processing subsidiary to Check-Free, which offers similar services.

Under the agreement, Intuit will receive a 23 per cent stake in CheckFree, valued at about $227m.

Analysts said the move could alleviate concerns among bankers that Intuit's control over both bill-paying services and personal finance software might enable it to usurp the role of traditional banking institutions in the emerging market for electronic banking.

The deal will make Check-Free the provider of home banking and bill payment services for more than 180 financial institutions and will bring its customer base to more than 1m.

Intuit said the divestment would give banks and other financial services groups using Quicken a choice of financial processing options, including the Internet.

Intuit also announced steps to shift its focus toward the Internet. The company plans to modify Quicken to give PC users a link with their banks via the Internet. It is also developing standards for exchanging financial data – such as bank statements – via the Internet.

Intuit expects to implement Internet connections for online investment activities in the spring of 1997, and for online banking and bill payment activities in the autumn of that year.

Separately, Intuit revealed deeper losses for its fourth quarter, ended July 31. The deficit was up from $1.4m, or 3 cents a share, to $22m, or 48 cents. Revenues rose from $72.4m to $91.1m.

The latest period included charges related to the acquisition of Interactive Insurance Services. Excluding charges, Intuit would have reported a net loss of $7.7m, or 17 cents, compared with a net loss of $6.6m, or 15 cents, a year ago.

For the fiscal year, the company reported a net loss of $20.7m, or 46 cents, on revenues of $552.9m. For the previous 12 months it recorded a net loss of $44.3m, or $1.07. Results for both years included special charges.

The company said it expected lower revenue growth and only a modest improvement in operating margins during fiscal 1997. Nonetheless, Intuit shares rose $2⅞ to $33¾ early yesterday.

AMERICAS NEWS DIGEST

Nike continues winning streak

Nike, the US maker of sports shoes and clothing, yesterday continued its recent successful run by announcing a 24 per cent increase in net profits to $226.1m for its first quarter to August. It also said orders for delivery from now to the end of January were 66 per cent higher than in the same period a year ago. World-wide revenues rose 34 per cent to $2.28bn. The stock earnings per share rose 22 per cent to $1.53. The stock price, which has surged 15 per cent since the company announced strong fourth-quarter profits and a 53 per cent increase in orders in July, rose another $2¾ to $122¾ in early trading. Nike said it would carry out a two-for-one stock split on October 23.

Nike said footwear and clothing had "outstanding" sales in the US: they were were up 39 per cent to $1.35bn. Sales of men's basketball shoes rose 48 per cent – "an exceptional number given our dominant position in that market," the company said. The smaller but growing US clothing business increased sales 93 per cent.

Outside the US, international revenues rose 35 per cent to $780.9m, and the company said they would have risen by 45 per cent if the dollar had stayed at the same levels as a year earlier. Important European markets such as the UK, Italy and Germany were particularly strong, Nike said. *Richard Tomkins, New York*

Smith Barney to pay damages

Smith Barney and one of its brokers have been ordered by an arbitration panel to pay damages totalling $1m to a former client. Of that amount $750,000, an unusually high level, consists of punitive damages. The broker was alleged to have pushed a client into buying stock in a company while he was getting rid of his own shares. The National Association of Securities Dealers, which enforces mandatory arbitration, said that last year punitive damages awards totalled $5.6m, while $41.5m were non-punitive.

Smith Barney said that of about 200 arbitration procedures so far this year, there had been only one other punitive award. It said the company disagreed with the latest award. *Tracy Corrigan, New York*

Waste Management sells units

Waste Management, the global waste haulage and environmental engineering group, has sold the industrial water process and manufacturing units of its Wheelabrator Technologies subsidiary to California-based United States Filter, for $385m in cash. The sale is part of an ongoing restructuring programme at Waste Management, which is disposing of non-core assets to raise cash and focus on environmental services.

US Filter expected the Wheelabrator units to generate $465m in revenues in the first year, and for the transaction to lift earnings this fiscal year. Wheelabrator and US Filter also agreed to form a new, equally-owned company to develop, finance, own and operate water and waste water treatment facilities in North America. *Laurie Morse, Chicago*

Maple Leaf Foods expands

Maple Leaf Foods, the Canadian food processor, is to expand its domestic and international meat business by about 50 per cent with the proposed purchase of the fresh pork and prepared meat operations of Alberta-based Burns Foods. Terms were not disclosed. The businesses covered by the deal have annual sales of about C$600m (US$438m). They include large abattoirs and processing plants in Winnipeg and Edmonton, and a bacon factory in Saskatchewan.

Maple Leaf was a subsidiary of Hillsdown Holdings, the UK conglomerate, until two years ago. It is now controlled by a group of investors led by Mr Wallace McCain, co-founder of the McCain frozen foods empire. The Burns acquisition is expected to lift Maple Leaf's fresh pork sales in Asia. *Bernard Simon, Toronto*

Fidelity sets up software arm

Fidelity Investments, the largest US mutual fund manager, has set up a new commercial technology company to market its software products directly to other financial services organisations. The move, an unusual diversification for a mutual fund company, creates a new company with 300 employees and an annual turnover of about $30m. *John Authers, New York*

COMPANIES AND FINANCE: ASIA-PACIFIC

Hong Leong in talks on hotels partnership

By James Kynge in Singapore

Singapore's Hong Leong Group, the city-state's largest hotel operator, is in talks with international hotel groups about forming an equity partnership and establishing a chain of luxury hotels.

"The proceedings are at a preliminary stage. We are not about to sign an agreement tomorrow, but neither is this just talk," a Hong Leong source said.

Industry sources say Hong Leong is at an advanced stage in talks with three main contenders for a tie-up with its Hong Kong-listed subsidiary CDL Hotels International. The three are Regent International, a subsidiary of the Toronto-based Four Seasons Hotels; the San Francisco-based Fairmont Hotel Management chain; and Hilton Hotels.

For CDL, one of Asia's fast-emerging hotel operators, the move presents an opportunity to upgrade its image from four stars to five. The company hopes to apply the brand name of a future partner to some of its hotels, and use its management skills to upgrade its operations.

The envisaged partnership would see CDL taking a significant stake in its partner, and a reciprocal cross-shareholding in CDL for the other group. It has not been decided whether the two stakes would be of equal value or whether, as industry analysts suggest, CDL's stake will be larger.

After the partnership is formed, customers would be able to book rooms in one chain through the other.

The Hong Leong source said the partnership strategy may provide the impetus to "propel CDL to a higher level faster" than would have been possible by seeking growth through the company's own resources. He said the international hotel chains had initiated talks about a partnership with Hong Leong.

Indeed, Four Seasons Hotels announced earlier this year it was seeking an outside investor to expand its Regent International chain in Asia. CDL has some experience with the Regent already, as the Four Seasons subsidiary manages its hotel in Kuala Lumpur.

Speaking in Singapore early this year, Fairmont's chief executive Mr Robert Small also indicated an interest in deeper co-operation with CDL. The two are joint owners of the Plaza Hotel in New York.

The Hong Leong Group has the financial muscle to help fund an expansion for a new partner. It is one of Singapore's largest conglomerates, with gross assets of more than US$16bn, annual turnover in excess of US$2.5bn and a worldwide staff of about 30,000.

Under Mr Kwek Leng Beng – who is keen to make the company a big global operator – the group has become one of the world's most acquisitive hotel owners. Its August 1995 acquisition of Copthorne Hotels Group, a UK company, brought the total number of hotels it owns to 57 in 11 countries. Other hotels owned by the company include the Orchard in Singapore, the Grand Hyatt in Taipei, the Millenium Hilton in New York and The Gloucester in London.

Five-star aspirations: the Orchard Hotel in Singapore

Losses widen at Thai construction group

By Ted Bardacke in Bangkok

Christiani & Nielsen, the Dutch construction company taken over by its Thai subsidiary in 1992, yesterday announced a Bt9.8bn rights issue to help fund restructuring, after reporting that its net loss in the first half of 1996 widened to Bt2.24bn ($91.8m).

The deficit compares with one of Bt234.5m last time, and the company is one of 15 being threatened with delisting from the Stock Exchange of Thailand after a string of losses.

The company asked yesterday that its shares be temporarily suspended from trading while it explained the first-half losses to shareholders.

It blamed the heavy losses primarily on Bt1.76bn in restructuring costs incurred in the second quarter of the year. These were devoted to measures to revamp its loss-making European subsidiaries and shore up operations in Asia, including Thailand – where the construction sector has suffered a downturn.

Total losses in the second quarter were Bt2.06bn, compared with a deficit of Bt252.9m in the same period last year.

Christiani & Nielsen said 224.6m new shares would be offered to existing shareholders in a ratio of five old shares for seven new ones. The price will be Bt10 each.

Subject to shareholder approval, the company will also issue Bt712.9m in convertible debentures, also to existing shareholders, valued at Bt1,000 each.

Maturity of the debentures will be five years, and they can be converted at a ratio of 225 shares for each debenture at a price of Bt10.

Christiani & Nielsen had been funding its European restructuring with revenue from Thailand, but losses there have started to mount, finally forcing the capital-raising scheme. Analysts say that about 30 per cent of the company's losses are now coming from Thailand, and half from Europe, while other Asian operations are barely breaking even.

Analysts say cash-flow problems at the company have forced it to delay completion of projects in Thailand, while trouble in the real estate sector has caused problems in settling accounts with developers who cannot sell properties completed by the company.

NZ carrier plots flight plan for Ansett

Air New Zealand's tie-up with the Australian airline may prove mutually beneficial

Air New Zealand is awaiting clearance to take off on a flight it hopes will make it a bigger and stronger regional airline, and a tougher competitor to the combined efforts of Qantas and British Airways.

Within days, the Australian foreign investment board is expected to give its final approvals to Air New Zealand's plan to buy a 50 per cent stake in Australian airline Ansett from the TNT transportation group.

This should be followed by the agreement of Air New Zealand shareholders at a special meeting on September 27, which will also approve a NZ$240m (US$167m) fundraising.

Air New Zealand chief executive Mr Jim McCrea says the agreement to buy TNT's shareholding in Ansett for a total outlay of A$475m (US$376.8m) "creates a critical mass", ensuring growth that would have been impossible had the two airlines stayed independent.

Mr McCrea says the next step will be for the companies to form broader global airline alliances. "With combined assets of NZ$8.9bn we will be a robust competitor," he said.

Air New Zealand, which is 42.5 per cent owned by conglomerate Brierley Investments, has been profitable for many years, partly because of cost-cutting by a small management team which believes similar savings can be found at Ansett.

Observers say Air New Zealand faces a hurdle in convincing tough Ansett chairman Mr Ken Cowley that the changes it wants are necessary. Mr Cowley, who represents 50 per cent shareholder News Corp, is known to have fought doggedly to remain in the Ansett chair. He says he will devote up to three days a week on the airline's affairs.

However, both News Corp and Air New Zealand are known to want to revitalise Ansett's profitability. Air New Zealand confirmed this week it would launch a public flotation of part of its Ansett shareholding once the Australian airline's earnings improved.

Two years ago, News Corp signalled its intention to withdraw from the airline industry, and so began talks with Air New Zealand to sell its shares. They ultimately failed on price, but this opened the way for Air New Zealand to begin talks on buying TNT's stake. In the event, Ansett's falling profitability and market share meant Air New Zealand paid A$125m less than News Corp's original asking price.

Air New Zealand's desire eventually to reduce its stake dispels ideas that it wants to buy 100 per cent of Ansett and bring about a full merger. This was the speculation that emerged following an agreement giving it first option to buy News Corp's Ansett shares.

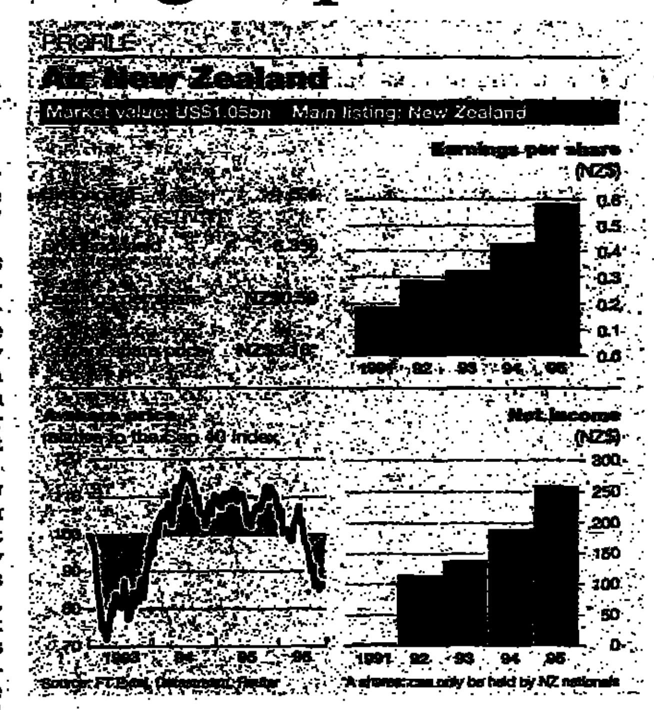
Airline analysts say Air New Zealand stands to reap substantial benefits from its tie-up with Ansett, although these are unlikely to flow into profits for 18 months.

The airline will be able to help co-ordinate arrival and departure times to assist passenger revenue between the two companies, and can code-share to assist international bookings. The tie-up will also provide opportunities for marketing agreements to pre-sell seats on Ansett flights.

One of the more visible changes is likely to be a move from Air New Zealand to co-ordinate the types of aircraft both airlines use. Analysts say that by international standards, Ansett has a "messy" fleet made up of both Airbus and Boeing aircraft. Changes to Sydney airport are also forcing Ansett to rethink its fleet.

Air New Zealand is expected to seek to rationalise this in favour of an all-Boeing fleet like its own. Together, the partners will initially have a fleet of 35 wide-bodied and 86 single-aisle jets.

Terry Hall



COMPANIES AND FINANCE: UK

Blenheim bid battle reignited by Reed Elsevier approach

By Geoff Dyer

Shares in Blenheim Group rose 15 per cent yesterday after the on-off bid battle for the exhibitions organiser was reignited by an approach from Reed Elsevier, the Anglo-Dutch publishing and information group.

Following the intervention of the Takeover Panel, Blenheim released a statement yesterday saying it had received a further approach which might lead to an offer. Reed is understood to have contacted Blenheim early last week.

The shares, which closed up 55½p at 423½p, were also buoyed by speculation that United News & Media, the publishing, media and financial services group, would now restart talks with Blenheim. United refused to comment yesterday.

The Blenheim statement said that the approach was "at a level that the board has previously rejected", leading analysts to estimate that Reed had suggested a price of 475p-480p.

Blenheim has been the subject of feverish bid speculation since June, when United first approached the group about a possible offer of 450p, valuing the group at £490m.

The shares, which reached 470p at one stage over the summer, were also lifted in July when Reed opened talks with Blenheim. However, two weeks ago, Blenheim, which was understood to have wanted at least 500p per share, announced it had terminated all takeover talks, sending shares plummeting.

The talks have been drawn out as both sides seek a recommendation from the Blenheim board – as shares in the group are very tightly held.

No formal offer has been made by either group.

The resumption of talks led to speculation yesterday that Compagnie Générale des Eaux, the French utility which owns a 15.4 per cent stake in the group, might be willing to sell. Another 25 per cent of the shares is in the hands of directors or their relatives.

Analysts said yesterday that Reed would probably wait to see if United resumes talks before deciding whether to make a formal bid for Blenheim. But they added the group might be under pressure to do a deal now, having missed a chance this summer.

Both United and Reed have exhibitions and business magazine businesses, which could make the acquisition of Blenheim attractive to them.

Blenheim has been striving to restore its reputation in the last 18 months after a succession of profits warnings and broker downgrades. Interim profits, due on October 2, are forecast to be £28m-30m.

ECC restructures as profits fall

By Tim Burt

English China Clays yesterday announced a hefty restructuring in a bid to revive the UK speciality chemicals and minerals group following a collapse in first-half profits.

The company said it was embarking on a "root-and-branch" overhaul of its manufacturing activities, distribution, research and back office functions as part of a cost-cutting drive.

As a first step, ECC unveiled an £18.6m ($11.9m) asset write down on its operations in Europe, Korea and Brazil.

Mr Dennis Rediker, chief executive, said the write downs reflected the number of underperforming assets he had discovered since taking over last December.

Mr Rediker refused to comment on disposal candidates. But several analysts suggested that Calgon – the speciality chemicals business acquired two years ago from Merck, the US drugs group, for $308m – was being groomed for sale.

The company declined to quantify the likely cost of the restructuring, although it admitted it was seeking savings of £30m from its kaolin operations.

The asset write downs helped send pre-tax profits tumbling from £55.3m to £5.7m in the six months to June 30.

ECC said the problems had been exacerbated by falling sales to the paper industry, which cut group turnover from £454.8m (£430.4m). Even before yesterday's exceptional charges, lower volumes reduced operating profits from £55.8m to £30.2m.

Mr Rediker warned that many of ECC's markets were likely to remain subdued for the rest of this year. "We now face a considerable challenge to get costs down."

The company, however, said the malaise was not confined to ECC and similar problems were being faced by other paper industry suppliers. "We are all suffering from overcapacity in the sector," claimed Mr Rediker.

ECC has hired McKinsey, the management consultants, to work out possible restructuring options and to select those businesses where it can compete.

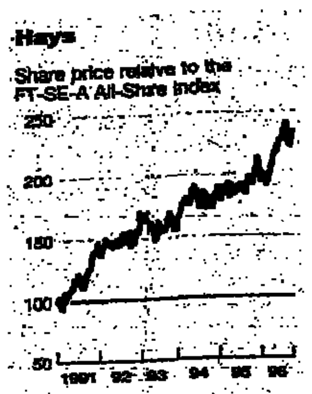
In spite of the problems, it announced a maintained interim dividend of 5.5p.

Industry observers questioned whether ECC would maintain the full year payout, given that 1995's first half earnings per share of 12.27p had been transformed into losses of 0.86p.

LEX COMMENT

Hays

Christian Salvesen may have slipped through its fingers, but Hays is not standing there empty-handed. The business services group notched up another year of near-20 per cent earnings growth yesterday, almost all of it generated internally. While its UK logistics activities are relatively mature, personnel is still on the upswing and the commercial activities, such as parcel delivery and data storage, are bounding ahead. There is a huge opportunity to take these services into mainland Europe, as Hays did with logistics a few years ago. Mr Ronnie Frost, Hays' chairman, wants to see half the group's profits coming from the continent in three years' time against less than 20 per cent now.



With internal growth of at least 15 per cent a year, acquisitions are almost a luxury, allowing Hays to be choosy. The recent £65m purchase of ICS, a private company which fits seamlessly with Hays' existing document exchange operations, is a good example. Given the potential to triple margins at ICS, this deal offers as much earnings enhancement as a £1.2bn bid for Salvesen would have done – for a lot less time and trouble.

Companies like ICS do not grow on trees. But over the past seven years, Mr Frost has become adept both at spotting them and coaxing them into the fold. Even if Hays did not find a suitable takeover for a year, it would not be a disaster. It has neither the explicit growth target nor the sky-high share rating of a rival like Rentokil.

Dalgety hit by BSE and warns

By Roderick Oram, Consumer Industries Editor

Dalgety has emerged as the quoted agribusiness hit hardest by BSE and yesterday revealed stock write-offs and other losses totalling some £15m ($23.4m) in the year ended June 30.

Further, it expects its profits – especially in its animal feed and petfood businesses – to take a further, but smaller hit in the current year. Analysts are expecting an impact of about £10m, assuming the cattle crisis takes no turn for the worse.

Dalgety reported a 4 per cent fall in pre-tax profits, including exceptionals, to £89.6m.

Its petfood exports from the UK are still only half pre-crisis levels, despite switching to foreign meat. Certification delays from some importing countries, particularly Italy, are the main stumbling block.

"The export business we established will suffer permanent damage," said Mr Richard Clothier, chief executive. BSE had diverted management's efforts from making Dalgety into one of Europe's largest petfood makers following its 1995 £442m acquisition of Quaker's business.

Dalgety said it would also address its weakness in UK dog food where its Spillers business lost share in a market that fell 1.5 per cent last year.

Disposals cut gearing from 149 to 77 per cent. Dalgety expects to be modestly cash generative this year.

Laporte falls 46%

By Simon Kuper

Laporte, the UK's fourth largest chemicals company, yesterday reported a 46 per cent drop in interim pre-tax profits to £36.4m ($56.8m), blaming poor markets and exceptional losses of £23.9m on its disposals programme.

The company also announced further disposals in Brazil, Thailand and France, for £7.8m.

Sales rose 5 per cent to £577m for the first half, but operating profits before exceptionals were 9 per cent down at £67m.

The fall from last year's record profit levels was partly due to accounting changes. Mr Jim Leng, chief executive, said: "We are more prudent now in terms of our accounting standards. We take costs through the profit-and-loss account unless there is a very good reason not to."

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Active Imaging Φ	6 mths to June 30	2.2	(2.5)	1.57L	(0.148L)	13.92‡	(2L)	-	-	-	-	-
Adwest Group	Year to June 30	224	(202)	23L♠	(14.8)	30.7L	(12.5)	5.5	Nov 22	5.5	7.8	7.8
Amey	6 mths to June 30	149	(114)	3.57	(1.74)	7.4†	(4.1)	3	Nov 6	2.4	-	7.1
Arlen	6 mths to June 30	15	(14.6)	1.78	(1.53)	1.6	(1.4)	0.4	Oct 15	0.2	-	0.7
BATM ◆	6 mths to June 30	5.42	(3.12)	1.5	(1.28)	6.05	(5.2)	-	-	-	-	-
Carlisle Group	6 mths to June 30	1.17	(2.61)	0.013	(3.5L♠)	0.01L	(1.8L)	nil	-	nil	-	nil
City Technology ✻	Year to June 30	16	(-)	6.17	(-)	8.57	(-)	-	-	-	-	-
Dalgety	Year to June 30	4,335	(4,907)	89.6♠	(93.7♠)	20.4†	(20.4)	13.5	Dec 2	13.5	22	22
Dalkeith Inns	Year to Apr 30	-	(-)	0.150L	(0.041)	3.12L	(1.21)	-	-	-	-	-
Dean Corpn Φ	6 mths to June 30	7.73	(0.32)	0.353	(0.043)	0.72†	(0.31)	0.2	Oct 8	-	-	2
Delphi	6 mths to June 30	100	(83.2)	5.71	(4.1)	15.1†	(11.7)	2	Nov 15	1.5	-	4.5
Dinkie Heel	6 mths to June 30	4.09	(3.7)	0.379	(0.315)	2.15	(1.83)	0.6	Dec 2	0.5	-	1.5
Dorling Kinder	Year to June 30	174	(139)	17.43	(12.71)	15.7†	(12.3)	3	Dec 4	2.6	4.5	3.9
Easynet Φ	6 mths to June 30	0.63	(0.13)	0.24L	(0.1L)	1.7L†	(1.76L)	-	-	-	-	-
EIS Group	6 mths to June 30	266	(197)	11.27	(9.49)	14.4	(14)	3.6	Jan 3	3.5	-	13.1
English China	6 mths to June 30	430	(455)	5.7♠	(55.3♥)	0.86L†	(12.27)	5.5	Dec 13	5.5	-	16.7
First National ♣	6 mths to June 30	31.6☆	(30.5)	9.71	(8.71)	-	(-)	-	-	-	-	-
Fisher (James)	6 mths to June 30	11.7	(16.1)	2.79♥	(1.53♥)	7.97	(4.33)	1	Nov 19	0.5	-	2
Fishers ♣	6 mths to June 30	16.8	(11.4)	0.879	(0.436)	0.61†	(0.4)	0.16	Dec 27	0.12	-	0.32
Freeport Leisure	Year to June 29	3.7	(1.9)	0.878	(0.102)	3.9	(0.6)	-	-	-	-	-
Goodhead	Year to May 31	31.6	(27.5)	1.01♥	(0.203)	1.6	(0.1L)	0.15	Nov 29	0.05	0.2	0.05
Hay (Norman)	6 mths to June 30	4.02	(4.28)	0.082	(0.049)	0.5	(0.3)	nil	-	nil	-	nil
Hays	Year to June 30	966	(808)	132	(110.3)	22.3	(18.7)	5.5	Nov 29	4.75	8.1	7
Horace Small App	6 mths to June 30	42.9	(34.5)	1.1	(0.882♠)	3.1	(2.7)	nil	-	nil	nil	nil
Intelligent Env Φ	6 mths to June 30	2.03	(2.03)	0.035	(0.003L)	0.2	(0.1L)	nil	-	-	-	-
Kynoch	6 mths to June 30	7.23	(6.59)	0.252	(0.184L)	1	(1.1L)	nil	-	nil	-	nil
Laporte	6 mths to June 30	589	(543)	36.4♠	(67)	9.9	(24.6)	8.5	Nov 14	8.5	-	23
Lon & Manchester	6 mths to June 30	154✤	(147.8)	-	(-)	-	(-)	6.6	Nov 28	6.08	-	18.7
Morgan Crucible	6 mths to July 4	459	(415)	51.4♥	(42)	15.2	(12.4)	6.6	Jan 7	6.25	-	13.8
Princedale	6 mths to June 30	25.8	(21)	1.27♥	(1.25♥)	1.3†	(1.7)	0.4	Nov 8	0.3	-	0.7
Redrow	Year to June 30	203	(214)	26.5	(30.3)	8.5	(10.8)	2.2	Nov 29	2.1	3.3	3.15
Sharpe & Fisher	6 mths to June 30	33.7	(30.8)	1.54♠	(1.65)	4.9	(5.3)	1.8	Nov 15	1.7	-	5.2
Signet Group ‡	6 mths to Aug 3	370	(345)	5.95L	(21.3L)	7.3L	(11.3L)	nil	-	nil	-	nil
Travis Perkins	6 mths to June 30	250	(243)	17.22♠	(16.91♥)	11.2	(10.8)	3	Nov 1	2.8	-	9.3
Turnpyke Group	6 mths to June 30	2.65	(1.19)	0.074	(0.003)	0.33†	(0.03)	0.1	-	nil	-	0.4
Tuskar Res ■	Yr to March 31 ♣	0.355	(0.382)	1.17♥	(0.352♠)	0.4L	(0.12L)	-	-	-	-	-
Whittard Φ	Year to May 31	21.7	(15.6)	1.8	(1.3)	0.7	(-)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Second Alliance	Year to July 31	2165	(1924)	9.75	(9.18)	50.8	(47.79)	34	Oct 25	32	49	46

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. §USM stock. ♣ Irish currency. ✤Premium income. ✻Proforma results. ☆Net interest income. ‡Comparatives restated. ◆US currency. ■OTC market.

Delphi spends $24.5m on systems house

By Christopher Price

Delphi Group, an information technology recruitment and consultancy business, yesterday reported a 39 per cent rise in half-year pre-tax profits to £5.71m ($8.9m), and announced it was buying a US systems integration company for $24.5m.

Turnover rose 20 per cent to £100.2m as the group, which changed its name from Computer People last year, benefited from the continuing buoyancy of the IT market.

In the UK, which accounts for almost three-quarters of group revenues, operating profits in the six months to June 30 rose 43 per cent to £5.9m, on sales 22 per cent ahead at £72.2m.

The domestic market results were helped by acquisitions in the past year, including DBI Associates and Cathy Tracey & Associates, part of the Interskill IT training and consultancy business.

Demand for IT contracting services was a particularly strong feature. Mr Tony Reeves, chairman and chief executive, said this trend was continuing in the second half.

On slightly higher US sales of $80.1m, operating profits declined 7 per cent to $1.3m, largely because of restructuring costs.

Mr Reeves said the purchase of Alpine Computer Systems, a systems integration solutions provider, would widen the group's US portfolio and improve the quality of earnings. Some $8m of the $24.5m acquisition cost would be paid in cash, while the balance would be made through the issue of Delphi shares to Alpine management.

They would be left with a 6 per cent share of the group which they have agreed to hold for at least three years. Following the acquisition, Delphi estimates its US revenues will total $90m a year.

On earnings per share up 29 per cent to 15.1p, the interim dividend was increased 33 per cent to 2p. The shares advanced 5p yesterday to 580p.

CD-Roms power Dorling forward

By Christopher Price

Gardening, cookery and dogs were among the subjects for some of the best-selling books and CDRoms sold by Dorling Kindersley last year, helping to give the publisher a 37 per cent rise in pre-tax profits in the 12 months to June 30.

The figure of £17.4m ($27m), against £12.2m last time, was struck on sales 26 per cent higher at £174.4m.

The biggest increase came from the multimedia business, where sales rose 62 per cent to £21.1m, or 12 per cent of revenues.

The sales growth in CD Rom's was underpinned by strong US demand. Turnover has doubled in two years and now accounts for 38 per cent of sales.

However, Mr Peter Kindersley, chairman and chief executive, warned of an imminent shake-out in the US multimedia market, which was likely to slow the rapid rate of growth experienced recently.

The dividend rose 15 per cent to 4.5p per share.

Hanson follows the Eurobrick road

Europe's longest kiln opens today, writes Simon London

Mr Robert Collignon, head of Belgium's Walloon regional government, will today open Europe's longest brick kiln at Perwelz, close to the French border.

The $28m facility is owned by Hanson, the UK group until recently noted for its aversion to buying business in continental Europe.

In January, Hanson changed tack by announcing the £190m ($296m) purchase of Desimpel, the Belgian brick maker which was already building the Perwelz facility.

Mr Richard Manning, managing director of Hanson Brick, sees the kiln as central to his long-term expansion strategy: "Hanson Brick is a market leader in the UK and now has a significant presence in continental Europe. That is not the end of the story."

Hanson has a 30 per cent share of the UK brick market. Further domestic expansion is blocked by monopolies considerations.

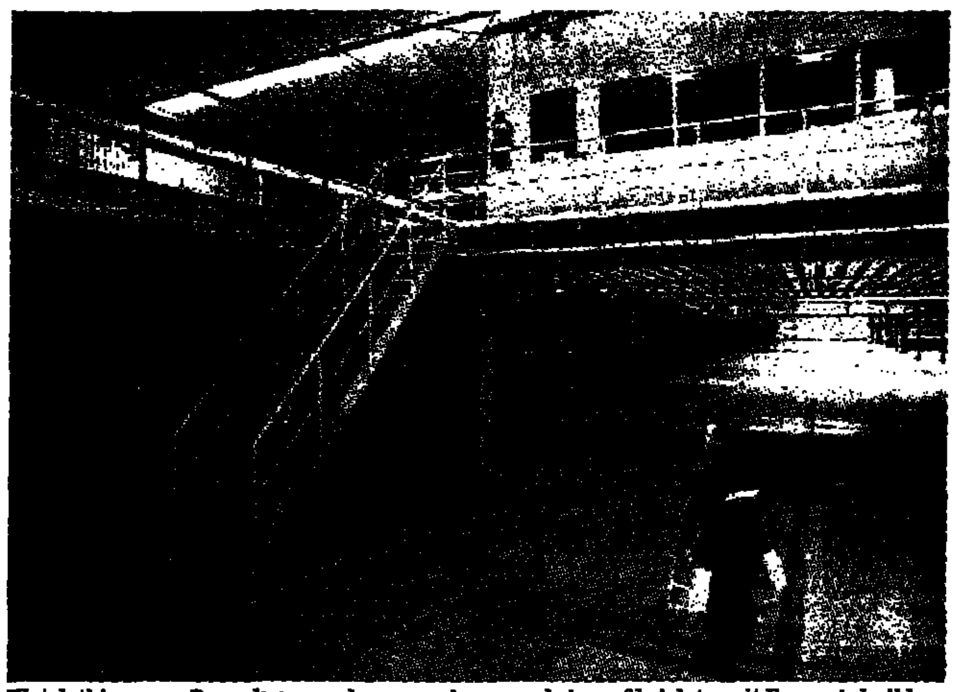
While the company has not ruled out acquisitions in the US or Asia, Mr Manning believes that expanding into continental Europe could help Hanson overcome the peaks and troughs in demand which have bedevilled brick makers.

"Historically, the brick industry has failed to come to terms with operating within a cyclical environment. The answer may lie in having a wider geographic manufacturing base combined with constant pressure on unit costs," he said.

On this view, the Desimpel acquisition is the first step in building a business which would enable Hanson to export bricks across European borders. The company could then keep its plants running at higher rates of capacity utilisation and generating higher margins through the economic cycle.

The Perwelz facility neatly fits this strategy. The kiln has capacity to turn out about 100m bricks a year at low unit costs. Its location on the European motorway network should allow bricks to be exported into France, Germany, or even the UK.

Importantly, new technology allows the 220m long Perwelz kiln to produce bricks of almost any shape or size, matching the diverse tastes of Europe's builders.



Watch this space: Perwelz can make many shapes and sizes of brick to suit Europe's builders

Hanson has no immediate plans for another European acquisition. The next few months will be devoted to absorbing Desimpel and instilling the Hanson management style.

The UK group has appointed a new managing director at Desimpel in the person of Mr David Szymanski, who is stepping back into the brick industry after a spell at Hanson's ARC quarry products division.

His immediate aim is to raise operating margins from about 12 per cent closer to the 26 per cent which Hanson Brick enjoys in the UK.

In the longer term, though, Hanson hopes to participate in the consolidation of the European brick industry which is widely predicted by industry analysts.

It faces competition from other companies with pan-European ambitions include Wienerberger of Germany, Europe's largest manufacturer of clay products, CRH of Ireland which already has a large share of the Dutch brick market, and Boral of Australia.

Morgan Crucible beats slack trading

By Tim Burt

Morgan Crucible, the engineering and speciality materials group, shrugged off sluggish trading conditions in most of its markets to report a 22 per cent rise in first-half profits yesterday.

The company, one of the world's largest makers of carbon and ceramic products, saw pre-tax profits rise 22 per cent to £51.4m ($80.2m) on increased sales of £459.4m (£415.3m) in the six months to July 4.

The figures were flattered by a £4.2m gain on the disposal of its US Franklin Oil subsidiary and by first-time contributions of £2.4m from acquisitions. Nevertheless, profits from continuing operations jumped to £54m (£49.2m).

Mr Bruce Farmer, managing director, said it was a pleasing performance given the volatile demand in North America and Europe.

The group was held back by weaker sales to the semi-conductor industry and disruption caused by the strike this year at General Motors. It also set aside provisions of £2.2m to cover possible environmental claims, mainly at Franklin Oil.

"Our south-east Asian markets were the only ones showing steady continuous growth," said Mr Farmer.

INTERNATIONAL CAPITAL MARKETS

Mexico launches $750m 20-year global offering

By Samer Iskandar

With emerging market debt prices – as well as investors' appetite for high-yielding bonds – at record highs following a six-week rally that culminated in Friday's rise of more than one percentage point for some dollar-denominated bonds, the United Mexican States has announced an issue of $750m 20-year global bonds.

Lead managers Merrill Lynch and Goldman Sachs have given an indicative launch spread of 450 to 462.5 basis points over the US Treasury long bond.

The spread over 20-year Treasuries would be about 10 basis points tighter at yesterday's prices, due to a hump in the yield curve between 10-year and 30-year maturities.

The pricing was described as "on the cheap side" by a US-based Latin American bond specialist, but the spread over 20-year Treasuries can still change as the US yield curve shifts before the final pricing, tomorrow or Thursday.

Another emerging markets issuer, the Republic of South Africa, also took advantage of favourable market conditions to refinance its only existing D-Mark bond, a DM400m five-year issue maturing next month.

INTERNATIONAL BONDS

Syndicate officials said the new bonds were placed smoothly, having been extensively pre-marketed. Around two-thirds of the DM500m seven-year bonds were sold to retail investors, and one-third to institutional investors.

The issue was launched amid a flurry of small and medium-sized deals in D-Marks with maturities between five and seven years, spurred by the combination of strong retail demand and a technical anomaly in the yield curve.

However, a syndicate official at Deutsche Morgan Grenfell, joint lead manager with Morgan Stanley, said the spread of 140 basis points distinguished the issue from the other, more tightly-priced deals by corporate borrowers with ratings of AAA or AA. "They were not aimed at the same investors," he said.

SBC Warburg, joint lead manager with CSFB of a DM300m issue for Toyota Motor Credit Corp, said demand for eurobonds in D-Marks had been strong since last week, citing a similar issue for Nestlé whose spread tightened when the bonds were freed to trade.

A syndicate manager pointed out that, because the current five-year Bobl matures in May 2001, the spread of 25 basis points appeared generous, while the differential over the yield curve was really quite tight.

SBC Warburg also attributed the robust demand – particularly from Swiss investors but also from German and UK accounts – to the stability offered by the German currency, adding that some of the transactions on the new bonds involved switching out of Ecu and French francs.

In the afternoon, the paper was trading slightly tighter at 24 basis points over the benchmark

● An issue of E£200m ($60m) of floating-rate notes by American Express Bank, launched earlier this month and due to be listed on the Cairo stock exchange, is likely to be increased to E£300m, writes Sean Evers in Cairo.

The five-year paper, paying a quarterly coupon equal to the average yield on Egyptian treasury bills, has been issued in denominations of E£1,000 to attract retail investors, according to Hermes Financial Securities (Cairo), the lead manager.

Small investors accounted for one-quarter of the more than E£200m already subscribed before the increase. Treasury bills, the highest-yielding instrument in Egypt, are auctioned in minimum denominations of E£25,000, making them less accessible to retail investors.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
United Mexican States#(s)	750	(a)	(a)	Sep 2016	(a)	(a1)	Goldman Sachs/M'Lynch
Nordbanken‡(b)	125	(b1)	98.88R	perpetual	0.50R	-	JP Morgan
Stadshypotek‡(f)	100	(c)	99.95	Mar 2001	0.15	-	Chase Manhattan Bank
Kwangju Bank‡	50	(d)	100.00	Oct 1999	-	-	Std Chartered Invest
D-MARKS							
Republic of South Africa	500	7.00	99.57R	Oct 2003	0.55R	140(6% - 03)	DMG/M Stanley
Toyota Motor Credit Corp(s)	300	5.125	99.80R	Dec 2001	0.25R	+25(5% - 01)	CSFB/SBC Warburg
Minnesota Mining & Manu	250	5.00	99.70R	Oct 2001	0.25R	-	Goldman Sachs
Spintab(e)(l)‡	200	(e1)	100.18R	May 2001	0.18R	-	CSFB Effectenbank
Snap Ltd(f)(s)	150	11.50	99.75R	Jan 2009	1.25R	600(6% - 08)	ING Bank
STERLING							
Abbey Nat Treasury Serv(s)	200	7.75	99.97R	Dec 2003	0.30R	30(6% - 03)	Goldman Sachs Intl
PESETAS							
EIB(g)	34.6bn	(g1)	100.00	(g)	0.10	-	BSN/SocGen
DANISH KRONER							
World Bank(l)	400	6.38	101.54	Mar 2003	1.75	-	Svenska Handelsbanken
ITALIAN LIRE							
World Bank(f)	800bn	zero	27.35R	Oct 2011	2.00	-	SCI/JP Morgan/BNP
NEW ZEALAND DOLLARS							
OKB	100	8.00	100.79	Oct 1998	1.25	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. §Convertible. ¢With equity warrants. ‡Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Pricing 18/19 Sep. a1) 450–462½(6%-26). b) Call from 27/9/01. b1) 3-mth Libor +70bp until year 5, thereafter 223bp if not called. c) 3-mth Libor +5bp. d) 6-mth Libor +45bp. e) Added to DM400m launched 29/01/96, plus 40 days accrued interest. f) Based on repackaged Morocco notes. Callable at par on 5/3/02. g) 6 equal tranches of Pta5.8bn maturing March 24, 27, 28, 29, 30, 31 2000 respectively. g1) Redemption at par plus 94¼% of the increase in the Ibex-35. f) Callable on 3/10/96 only, at 84.78. l) Long first coupon. s) Short first coupon

CAPITAL MARKETS DIGEST

FRCD issue from Bank of China

Bank of China yesterday launched a HK$2bn issue of five-year floating-rate certificates of deposit, almost one and a half years after shelving plans to raise HK$5bn. Bankers expect the issue to be oversubscribed. The all-in price of around 42 basis points above the Hong Kong interbank offered rate (Hibor) is considered on the low side, but as one banker said: "They could have got away with it even lower if they had tried."

The pricing is only marginally higher than recent issues by Standard Chartered and Hongkong Bank. One banker said: "Of course it is aggressively priced, but I think it is fair and banks will not join simply for political reasons. But the political issue is clear – that everyone wants to please them, so I think they will have no trouble finding enough participants."

Bank of China's maiden issue in the territory – carried out by its Hong Kong branch – comes less than one year before Hong Kong reverts to Chinese sovereignty, and banks are keen to maintain good relations with it.

The planned May 1995 issue was scrapped after US rating agency Moody's Investors Service downgraded its credit. This time, following another dispute with Moody's over ratings awarded to 11 of its Hong Kong-based affiliates, Bank of China has opted to obtain its rating from the Japan Bond Research Institute. JBRI has rated the paper AA–, one grade higher than the A+ required for the notes to be rediscounted with the Hong Kong Monetary Authority, the territory's de facto central bank. Last year, Moody's downgrade from A3 to Baa1 rendered the bank's notes ineligible for this facility, making the paper less attractive. *Louise Lucas, Hong Kong*

Metrobank to tap Europe

Metropolitan Bank, the Philippines' largest, is to make a US$100m floating-rate certificate of deposit issue in Europe later this month. The five-year FRCDs, the longest maturity offered yet by a Philippine bank overseas, will offer the tightest spread on Philippine debt to date, at 95 basis points over Libor. Metrobank, which last year issued US$50m in three-year FRCDs at 130 basis points over Libor, said the issue would be arranged by Bankers Trust and offered through 24 participating banks. *Edward Luce, Manila*

Derivative house awards

Exposure to the US market is still a common characteristic of the financial institutions topping the derivatives league table, according to Risk magazine, in awarding its global derivatives rankings for 1996. Chase Manhattan (voted top interest rate swaps house), J.P. Morgan (caps, floors and swaptions), SBC Warburg (currency options, equity derivatives) and CSFP (second generation products) are all either US or "hybrid European with strong American influences", according to Risk, and "must clearly be regarded the world's top derivatives houses". *Samer Iskandar, London*

Convergence hopes lift European high-yielders

By Peter John in London and Lisa Bransten in New York

High-yield European bonds outperformed yesterday on renewed hopes that yields may begin to move towards German levels ahead of European monetary union.

Convergence was back on the agenda, partially as a result of comments by Mr Paavo Lipponen, Finland's prime minister, that the country could soon enter the European exchange rate mechanism. His comments led economists at Merita, Finland's largest bank, to predict the markka might be linked as early as this weekend, raising hopes in some quarters that Italy could soon follow suit.

■ Italian bond yields fell, with the 10-year spread over Germany moving back below 300 basis points. Some economists believe that, with bullish inflation numbers expected later in the week, the spread could fall another 15 basis points very quickly.

Mr Steven Major, of Crédit Lyonnais, forecast year-on-year inflation remaining at 3.4 per cent. He said that although the December Eurolira contract continued to discount a 50 point cut in official rates, this view was unnecessarily conservative.

Spreads also narrowed slightly in Spain, and at 223 basis points above the equivalent German benchmark yesterday were only 10 basis points above the year's low.

GOVERNMENT BONDS

■ In Germany, apart from selective interest in the five-year sector, the market was quiet ahead of today's announcement on the forthcoming auction. Traders expect the Bundesbank to issue up to DM10bn of two-year paper with a coupon of 3.75-4 per cent. Pricing could be at the tight end as both central banks and retail buyers are expected to show keen interest.

■ Auction details also occupied gilt-edged market-makers in the UK. They met Treasury officials yesterday to discuss government funding for the fourth quarter. The £33bn funding is on track and next Wednesday sees the latest gilts auction. The consensus is for an issue of between £2.5bn and £3bn with a very long maturity, possibly 25 years, and a 8 per cent coupon.

■ US Treasury prices kept Friday's gains in quiet trading early yesterday as traders held steady ahead of next week's meeting of the Federal Reserve's Open Market Committee.

Near midday, the benchmark 30-year Treasury was down $\frac{1}{32}$ at 97$\frac{11}{32}$ to yield 6.951 per cent and the two-year note was unchanged at 100, yielding 6.106 per cent. The December 30-year bond future was also unchanged, at 108$\frac{9}{32}$.

Prices surged on Friday as data showing sluggish retail sales and no signs of inflationary pressures led many investors to abandon fears that the Fed would raise interest rates at the FOMC meeting next Tuesday.

Bonds were expected to hold within their present range until the meeting, as there is little in the way of economic data due before then.

The most important figures to be released this week are today's data on August industrial production and capacity utilisation. Economists expect industrial production to have advanced 0.3 per cent, while capacity utilisation is forecast to have held nearly steady at 83.3 per cent, compared with 83.2 per cent in July.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	91.2830	+0.520	8.02	8.16	8.07
Austria		6.250	05/06	99.9700	+0.080	6.15	6.30	6.28
Belgium		7.000	05/06	104.1600	+0.040	6.40	6.58	6.63
Canada *		7.000	12/06	97.8900	-	7.30	7.48	7.32
Denmark		8.000	03/06	105.8000	+0.260	7.13	7.30	7.23
France	BTAN	5.500	10/01	100.7890	+0.040	5.32	5.51	5.44
	OAT	7.250	04/06	107.6100	+0.220	6.17	6.37	6.32
Germany Bund		6.250	04/06	100.4900	+0.330	6.17	6.33	6.27
Ireland		8.000	08/06	105.0500	+0.100	7.26	7.59	7.55
Italy		9.500	02/06	103.2500	+0.260	8.99†	9.21	9.23
Japan	No 140	6.600	06/01	120.8831	+0.050	1.82	1.84	2.22
	No 182	3.000	09/05	100.7132	-	2.90	2.93	3.22
Netherlands		8.500	06/06	117.1700	+0.070	6.09	6.25	6.25
Portugal		11.875	02/05	121.0700	+0.370	8.28	8.54	8.70
Spain		8.800	04/06	102.2800	+0.150	8.42	8.67	8.90
Sweden		6.000	02/05	89.1700	+0.290	7.80	8.10	8.23
UK Gilts		8.000	12/00	103-26	-	6.93	7.05	7.02
		7.500	12/06	98-14	-1/32	7.72	7.88	7.76
		9.000	10/08	108-28	-1/32	7.85	8.01	7.86
US Treasury *		7.000	07/06	101-29	+2/32	6.71	6.93	6.47
		6.750	08/26	97-14	+3/32	6.95	7.12	6.74
ECU (French Govt)		7.000	04/06	102.4700	+0.390	6.64	6.77	6.78

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8¼	One month	-	Two year	6.12
Broker loan rate	7	Two month	-	Three year	6.30
Fed.funds	5½	Three month	5.21	Five year	6.48
Fed.funds at intervention	-	Six month	5.39	10-year	6.73
		One year	5.74	30-year	6.96

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	125.40	125.48	+0.32	125.50	125.36	21,912	45,785
Dec	123.84	123.88	+0.24	123.90	123.78	97,229	195,862
Mar	123.76	123.76	+0.24	123.76	123.68	1,326	15,827

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
120	-	-	-	-	-	0.11
121	2.84	-	3.02	-	0.10	0.20
122	1.87	-	2.16	0.01	0.18	0.36
123	0.91	1.17	1.42	0.06	0.38	0.61
124	0.23	0.59	0.84	0.38	0.77	0.99

Est. vol. total, Calls 21,285 Puts 13,733. Previous day's open int., Calls 119,285 Puts 121,326.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.02	97.96	+0	98.20	97.95	135376	210501
Mar	97.16	97.01	+0.03	97.16	97.16	2	1536

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
9750	0.53	0.84	1.06	1.02	0.07	0.38	0.60	1.51
9800	0.21	0.55	0.77	0.80	0.25	0.59	0.81	1.79
9850	0.05	0.34	0.54	0.62	0.59	0.88	1.08	2.11

Est. vol. total, Calls 27517 Puts 14292. Previous day's open int., Calls 131130 Puts 139331

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	117.53	117.74	+0.34	118.18	117.50	46883	69195
Mar		117.08	+0.34			0	550

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
11750	1.42	1.81	1.18	2.23
11800	1.14	1.51	1.40	2.43
11850	0.90	1.33	1.66	2.75

Est. vol. total, Calls 5078 Puts 2044. Previous day's open int., Calls 71875 Puts 99933

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	103.65	103.50	+0.30	104.06	103.45	72,693	41,605
Dec	103.16	103.00	+0.25	103.53	102.98	53,034	46,754

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	108-26	108-20	-0-01	108-26	108-21	10445	25113
Dec	108-02	107-29	+0	108-04	107-28	57228	117501

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
107	1-00	1-22	1-45	1-61	0-06	0-28	0-51	1-49
108	0-19	0-48	1-07	1-29	0-25	0-54	1-13	2-17
109	0-03	0-22	0-43	1-04	1-09	1-28	1-49	2-56

Est. vol. total, Calls 8243 Puts 4193. Previous day's open int., Calls 28733 Puts 18647

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	93.64	93.94	+0.40	93.94	93.64	1,560	2,848
Dec	91.66	91.98	+0.40	92.02	91.66	1,920	6,560

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	109-13	109-09	+0-01	109-13	109-04	16,492	55,004
Dec	108-28	108-25	+0-02	108-29	108-18	566,035	341,446
Mar	108-15	108-11	+0-01	108-15	108-06	3,296	-

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	121.53			121.60	121.49	242	n/a
Mar						0	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Sep 16	Day's change %	Fri Sep 13	Accrued interest	xd adj. ytd		Low coupon yield Sep 16	Sep 13	Yr. ago	Medium coupon yield Sep 16	Sep 13	Yr. ago	High coupon yield Sep 16	Sep 13	Yr. ago
1 Up to 5 years (22)	122.07	0.03	122.03	2.40	7.05	5 yrs	7.05	7.08	7.46	7.14	7.16	7.47	7.16	7.20	7.58
2 5-15 years (20)	149.20	0.14	149.18	3.02	7.39	15 yrs	7.96	7.99	7.98	7.97	7.98	8.01	7.96	8.02	8.09
3 Over 15 years (8)	163.37	0.28	162.90	3.03	8.84	20 yrs	8.06	8.10	8.02	8.08	8.09	8.04	8.06	8.12	8.12
4 Irredeemables (6)	188.39	0.78	186.94	4.34	7.36	Irred.†	8.12	8.18	8.11						
5 All stocks (56)	143.60	0.13	143.40	2.84	7.60										

Index-linked							Inflation 5% Sep 16	Sep 13	Yr. ago	Inflation 10% Sep 16	Sep 13	Yr. ago
6 Up to 5 years (1)	200.94	0.04	200.86	3.49	4.43	Up to 5 yrs	1.14	1.16	2.86	-0.66	-0.65	1.72
7 Over 5 years (11)	189.93	0.16	189.62	1.13	3.65	Over 5 yrs	3.56	3.57	3.53	3.33	3.34	3.33
8 All stocks (12)	190.04	0.16	189.74	1.18	3.66							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Sep 16	Sep 13	Sep 12	Sep 11	Sep 10	Yr ago	High*	Low*
Govt. Secs. (UK)	93.45	93.28	92.83	92.88	92.76	94.23	96.34	91.59
Fixed Interest	113.24	113.10	112.93	112.87	113.07	113.26	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Sep 13	Sep 12	Sep 11	Sep 10	Sep 9
Gilt Edged bargains	85.8	81.0	80.3	88.3	74.9
5-day average	81.7	79.9	76.7	74.9	74.0

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on September 16

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	97¾	98	+⅛	6.92
ABN Amro Bank 7¼ 05	1000	99¾	100	+¼	7.42
African Dev Bk 7⅝ 23	500	95⅞	96⅜	+⅛	7.74
Alberta Province 7⅝ 98	1000	102½	102⅝	+⅛	6.32
Asian Dev Bank 6¼ 05	750	95⅜	95½	+⅛	7.06
Austria 8½ 00	400	105½	105¾		6.60
Baden-Wuertt L-Fin 8½ 00	1000	104⅛	104⅞		6.69
[illegible]					
Sweden 8 97	2500	105	105⅛		3.42
United Kingdom 7⅛ 97	5500	104	104⅛		3.40
Volkswagen Intl Fin 7 03	1000	104⅞	105⅛	-⅛	6.08
World Bank 0 15	2000	33	33¼	+1⅛	5.92
World Bank 5⅞ 03	3000	100⅞	101	+⅛	5.72
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	37¼	38		5.22
[illegible]					
Abbey Natl Treasury 8 03 £	1000	101½	101⅝	+⅛	7.69
British Land 8⅞ 23 £	150	92⅛	92½	+½	9.94
Denmark 6¾ 98 £	800	100½	100¾		6.46
Depfa Finance 7⅛ 03 £	500	96¾	97	+⅛	7.73
EIB 8 03 £	1000	102½	102⅝	+⅛	7.50
Glaxo Wellcome 8¾ 05 £	500	103¼	103½	+¼	8.22
Hanson 10⅜ 97 £	500	104	104¼		6.45
HSBC Holdings 11.69 02 £	153	116⅝	116⅞	+⅛	8.02
[illegible]					

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts (Lives up to Five Years)						
Treas 2pc 1996	0.91	5.64	220⅞xd	-	220⅞	212⅜
Conversion 10pc 1996	9.94	5.65	100⅝	-⅛	103⅝	100⅝
Treas 13¼pc 1997‡‡	12.94	5.65	102⅜	-⅛	109⅝	100½
Exch 10½pc 1997	10.20	5.67	102	-	107⅜	102
[illegible]						
Treas 8½pc 2005‡‡	8.05	7.85	105⅝	+⅛	108⅜	101⅛
Treas 7½pc 2006‡‡	7.62	7.80	98⅞	+⅛	101⅞	94⅞
Treas 7¾pc 2006‡‡	7.75	7.76	100⅛xd	+⅛	103¾	96⅛
Treas 8pc 2002-6‡‡	7.95	7.77	100⅝	-	104⅝	97⅞
[illegible]						
Index-Linked						
4⅜pc '98‡‡	(135.6)	0.27	2.07	114	+⅛	114 / 111⅛
2½pc '01	(78.3)	2.70	3.30	162⅞xd	+⅛	162⅞ / 174⅜
2½pc '03	(78.8)	2.99	3.44	178⅞	+⅛	178⅞ / 170⅞
4⅜pc '04‡‡	(135.6)	3.05	3.49	116⅞	+⅛	118⅞ / 112⅜
[illegible]						

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for January 1996: 153.2 and for August 1996: 153.1.

Other Fixed Interest

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real index-linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

CURRENCIES AND MONEY

MARKETS REPORT

European currencies advance against dollar

By Richard Adams

The US dollar fell back yesterday on the currency markets as optimism about European monetary union boosted several European currencies.

The dollar gained last week on a combination of a bouyant US government bond market and receding expectations of a rise in US interest rates. Traders in London said some of the dollar's consolidation yesterday was due to unwinding of positions based on expectations of a large rate rise.

The dollar slipped through resistance against the D-Mark around the DM1.51 level. It finished trading in London at DM1.5095, down from Friday's close of DM1.5124.

The market in Tokyo was closed for a public holiday. But in London the dollar fell to Y110.365 against the yen, from Y110.425. Sterling also gained a little ground on the dollar, ending at $1.5568, up from $1.5544.

The French franc, the Italian lira and the Finnish markka all gained against the D-Mark as dealers began, in the words of one analyst, to view monetary union as "more of a glass half-full than half-empty."

The French franc continued to strengthen ahead of France's formal budget announcement tomorrow. Against the D-Mark it finished at FFr3.406, from FFr3.410. The lira gained, as its budget process also advanced, to L1,009 from L1,010 to the D-Mark.

The yen rose against the D-Mark, reputedly on US hedge fund buying, closing at Y73.11 from Y72.99.

■ With a week to go before the September 24 meeting of the Federal Open Markets Committee of the Federal Reserve, analysts said there was little to move the markets yesterday.

That situation could remain true for the rest of the week. Ms Alison Cottrell, international economist at Paine Webber in London, said: "When it's a quiet week in the US, then it's a quiet week everywhere else."

Ms Cottrell said that declining concern about European monetary union also removed a source of activity. Yesterday's rumours that Mr Jean Arthuis, the French finance minister, had threatened to resign, failed to move the franc. "Four weeks ago the French franc would have lost a lot. Now, who cares?" she said.

In fact the franc extended its recent rally, rising through the FFr3.4037 August 22 high against the D-Mark. That high came after the Bundesbank and the Bank of France both cut interest rates.

■ News that Mr Paavo Lipponen, Finland's prime minister, said that his country will decide shortly whether or not to link the Finnish markka to the European exchange rate mechanism (ERM), provoked the markka to rise strongly.

The markka rose against the dollar to FM4.5486 from FM4.5714, after Mr Lipponen said the country ought to seek membership of Emu, as it would bring greater stability in terms of interest and exchange rates.

Ms Cottrell said it was in Finland's advantage to talk up its membership prospects for monetary union. As Italy had discovered, simply talking about membership leads to an appreciation of the currency. "Clearly they have nothing to lose by talking like they are talking," she said.

■ The strengthening of the US dollar has come on the back of expectations of a rise in interest rates there. In the past weeks, fund managers increased their weightings in US Treasuries at the expense of UK and non-core European bond markets, on the back of the expected rate rise, a Reuters monthly asset allocation survey showed.

Allocations in US bonds in a global bond portfolio leapt to 35 per cent in September, after a weighted average of 30.6 per cent last month. Allocations in cash, UK bonds and non-core European bonds all slipped. Proportions held in cash fell to just 2 per cent, from 6.8 per cent in August.

■ Pound in New York

Sep 16	—Latest—	— Prev. close —
£ spot	1.5580	1.5550
1 mth	1.5578	1.5554
3 mth	1.5572	1.5554
1 yr	1.5582	1.5574

■ OTHER CURRENCIES

Sep 16	£	$
Czech Rp	41.1399 - 41.1898	26.4310 - 26.4510
Hungary	239.219 - 239.389	153.690 - 153.740
Iran	4671.30 - 4669.50	3000.00 - 3000.00
Kuwait	0.4670 - 0.4676	0.3000 - 0.3003
Poland	4.3302 - 4.3365	2.7820 - 2.7850
Russia	8380.20 - 8388.10	5384.00 - 5387.00
U.A.E.	5.7157 - 5.7194	3.6728 - 3.6731

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POUND SPOT FORWARD AGAINST THE POUND

Sep 16		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.5359	−0.0061	289 - 429	16.5690	16.4926	16.5047	2.3	16.4297	2.6	-	-	105.0
Belgium	(BFr)	48.3854	−0.0498	449 - 258	48.5330	48.2760	48.2904	2.4	48.1004	2.4	47.3304	2.2	106.8
Denmark	(DKr)	9.0478	−0.0105	433 - 522	9.0770	9.0286	9.0341	1.8	9.0137	1.5	8.9059	1.6	107.7
Finland	(FM)	7.0813	−0.0245	760 - 865	7.1170	7.0720	7.0769	0.7	7.0688	0.7	-	-	85.1
France	(FFr)	8.0049	−0.012	015 - 082	8.0202	7.9846	7.9906	2.1	7.9667	1.9	7.8598	1.8	108.6
Germany	(DM)	2.3500	−0.0009	491 - 509	2.3552	2.3433	2.3451	2.5	2.3354	2.5	2.2933	2.4	108.7
Greece	(Dr)	374.411	−0.098	245 - 576	376.141	373.408	-	-	-	-	-	-	67.1
Ireland	(I£)	0.9665	−0.0004	659 - 671	0.9678	0.9657	0.966	0.6	0.9648	0.7	0.9603	0.6	102.2
Italy	(L)	2372.25	−2.97	138 - 380	2378.38	2368.46	2377.1	−2.8	2387.85	−2.6	2420.15	−2.0	76.9
Luxembourg	(LFr)	48.3854	−0.0498	449 - 258	48.5330	48.2760	48.2904	2.4	48.1004	2.4	47.3304	2.2	106.8
Netherlands	(Fl)	2.6345	−0.0004	335 - 354	2.6448	2.6284	2.6294	2.3	2.6164	2.7	2.5687	2.5	106.5
Norway	(NKr)	10.0865	−0.0132	828 - 702	10.1007	10.0425	10.058	1.0	10.041	1.0	9.9575	1.1	97.0
Portugal	(Es)	240.090	−0.36	966 - 214	240.596	239.444	240.515	−2.1	241.42	−2.2	-	-	95.5
Spain	(Pta)	198.064	−0.347	002 - 125	198.931	197.328	198.324	−1.6	198.839	−1.6	200.239	−1.1	80.6
Sweden	(SKr)	10.3271	−0.0596	193 - 349	10.3970	10.2692	10.3274	0.0	10.3275	0.0	10.3255	0.0	89.8
Switzerland	(SFr)	1.9302	+0.0015	290 - 313	1.9342	1.9266	1.9252	3.1	1.9143	3.3	1.8682	3.3	111.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	86.1
Ecu	-	1.2411	−0.0006	406 - 416	1.2432	1.2386	1.2398	1.3	1.2369	1.4	1.2235	1.4	-
SDR†	-	1.076700	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5566	+0.0029	562 - 569	1.5570	1.5500	-	-	-	-	-	-	-
Brazil	(R$)	1.5867	+0.0018	861 - 872	1.5874	1.5798	-	-	-	-	-	-	-
Canada	(C$)	2.1335	+0.0051	327 - 343	2.1345	2.1241	2.1326	0.4	2.1292	0.8	2.1211	0.6	84.1
Mexico	(New Peso)	11.6994	+0.0188	893 - 094	11.7131	11.6620	-	-	-	-	-	-	-
USA	($)	1.5568	+0.0024	565 - 571	1.5575	1.5508	1.5564	0.3	1.5559	0.2	1.5586	−0.1	97.2
Pacific/Middle East/Africa													
Australia	(A$)	1.9750	+0.0152	740 - 760	1.9764	1.9578	1.9776	−1.5	1.9826	−1.5	2.0078	−1.7	93.2
Hong Kong	(HK$)	12.0379	+0.019	352 - 406	12.0410	11.9920	12.0298	0.8	12.0182	0.7	11.9884	0.3	-
India	(Rs)	55.5779	+0.0857	558 - 999	55.8999	55.2370	-	-	-	-	-	-	-
Israel	(Shk)	4.9320	+0.0084	271 - 369	4.9379	4.9179	-	-	-	-	-	-	-
Japan	(Y)	171.816	+0.171	729 - 904	172.080	171.240	171.091	5.1	169.601	5.2	163.186	5.0	132.1
Malaysia	(M$)	3.8889	+0.0053	874 - 904	3.8936	3.8742	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2408	+0.0063	396 - 420	2.2421	2.2320	2.2458	−2.7	2.2553	−2.6	2.2891	−2.2	109.5
Philippines	(Peso)	40.8349	+0.0707	647 - 050	40.9195	40.6778	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8387	+0.0087	373 - 401	5.8405	5.8166	-	-	-	-	-	-	-
Singapore	(S$)	2.1971	+0.0057	959 - 983	2.1986	2.1889	-	-	-	-	-	-	-
South Africa	(R)	6.9854	−0.011	825 - 883	7.0030	6.9585	-	-	-	-	-	-	-
South Korea	(Won)	1290.20	+14.19	956 - 084	1290.85	1274.28	-	-	-	-	-	-	-
Taiwan	(T$)	42.8136	+0.0715	975 - 296	42.8250	42.6439	-	-	-	-	-	-	-
Thailand	(Bt)	39.5567	+0.0671	413 - 721	39.5840	39.4110	-	-	-	-	-	-	-

† Rates for Sep 13. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.6218	−0.0202	193 - 242	10.6550	10.6190	10.6023	2.2	10.5603	2.3	10.3768	2.3	105.0
Belgium	(BFr)	31.0800	−0.08	600 - 000	31.1810	31.0590	31.025	2.1	30.9175	2.1	30.415	2.1	106.5
Denmark	(DKr)	5.8118	−0.0157	100 - 135	5.8365	5.8100	5.8043	1.5	5.7873	1.7	5.7183	1.6	107.1
Finland	(FM)	4.5486	−0.0228	461 - 511	4.5780	4.5458	4.5421	1.7	4.5301	1.6	4.4846	1.4	84.3
France	(FFr)	5.1419	−0.0156	407 - 430	5.1585	5.1405	5.1343	1.8	5.1204	1.7	5.0514	1.8	108.0
Germany	(DM)	1.5095	−0.0029	092 - 098	1.5141	1.5090	1.5069	1.4	1.5028	1.8	1.4733	2.4	108.1
Greece	(Dr)	240.500	−0.435	440 - 560	241.140	240.430	242.175	−8.4	245.925	−8.4	259.5	−7.9	66.7
Ireland	(I£)	1.6105	+0.0031	100 - 115	1.6120	1.6045	1.6114	−0.4	1.6122	−0.4	1.6038	0.4	-
Italy	(L)	1523.80	−4.27	310 - 450	1529.50	1521.00	1526.55	−2.7	1532.7	−2.4	1558.45	−2.3	76.1
Luxembourg	(LFr)	31.0800	−0.08	600 - 000	31.1810	31.0590	31.025	2.1	30.9175	2.1	30.415	2.1	106.5
Netherlands	(Fl)	1.6928	−0.0028	925 - 930	1.7006	1.6910	1.6899	2.0	1.6818	2.5	1.6501	2.5	105.5
Norway	(NKr)	6.4682	+0.0084	650 - 675	6.4872	6.4655	6.4665	0.5	6.4577	0.5	6.4012	0.7	97.9
Portugal	(Es)	154.220	−0.47	170 - 270	154.750	154.160	154.535	−2.5	155.125	−2.3	157.27	−2.0	95.5
Spain	(Pta)	127.225	−0.42	210 - 240	127.730	127.170	127.475	−2.4	127.905	−2.1	129.445	−1.7	80.3
Sweden	(SKr)	6.6336	−0.0467	298 - 373	6.6880	6.6246	6.6327	0.2	6.6351	−0.1	6.6101	0.4	88.8
Switzerland	(SFr)	1.2398	−0.001	393 - 403	1.2439	1.2390	1.2363	3.4	1.2288	3.5	1.1953	3.6	110.9
UK	(£)	1.5568	+0.0024	565 - 571	1.5575	1.5508	1.5564	0.3	1.5559	0.2	1.5586	−0.1	85.8
Ecu	-	1.2544	+0.0026	541 - 546	1.2548	1.2497	1.2551	−0.7	1.2568	−0.8	1.2656	−0.9	-
SDR†	-	0.69240	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0003	998 - 999	0.9999	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	1.0192	−0.0004	190 - 193	1.0198	1.0188	-	-	-	-	-	-	-
Canada	(C$)	1.3705	+0.0012	702 - 707	1.3709	1.3685	1.3703	0.1	1.3706	0.0	1.3734	−0.2	83.4
Mexico	(New Peso)	7.5150	+0.0005	100 - 200	7.5200	7.5100	7.6765	−25.8	7.8615	−18.4	9.625	−28.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	98.1
Pacific/Middle East/Africa													
Australia	(A$)	1.2686	+0.0079	682 - 690	1.2692	1.2592	1.2706	−1.9	1.2741	−1.7	1.2928	−1.9	95.4
Hong Kong	(HK$)	7.7325	+0.0003	322 - 327	7.7327	7.7318	7.7332	−0.1	7.735	−0.1	7.762	−0.4	-
India	(Rs)	35.7000	-	000 - 000	35.9100	35.4500	35.85	−5.0	36.155	−5.1	37.625	−5.4	-
Israel	(Shk)	3.1681	−0.0007	655 - 706	3.1780	3.1655	-	-	-	-	-	-	-
Japan	(Y)	110.365	−0.06	330 - 400	110.600	110.320	109.92	4.8	109.02	4.9	105.28	4.6	132.7
Malaysia	(M$)	2.4980	−0.0005	975 - 985	2.4990	2.4955	2.4989	−0.4	2.505	−1.1	2.5285	−1.2	-
New Zealand	(NZ$)	1.4393	+0.0019	388 - 398	1.4410	1.4365	1.4424	−2.6	1.4482	−2.5	1.4728	−2.3	-
Philippines	(Peso)	26.2300	+0.005	900 - 700	26.2700	26.1900	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	−0.0001	503 - 506	3.7508	3.7502	3.751	−0.1	3.7517	−0.1	3.755	−0.1	-
Singapore	(S$)	1.4113	+0.0015	108 - 118	1.4119	1.4093	1.4078	3.0	1.4018	2.7	1.3763	2.5	-
South Africa	(R)	4.4870	−0.014	860 - 880	4.5050	4.4800	4.5345	−12.7	4.6245	−12.3	4.962	−10.6	-
South Korea	(Won)	828.750	+7.85	500 - 000	830.000	820.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.5010	+0.0035	960 - 060	27.5070	27.4965	27.506	−0.2	27.511	−0.1	-	-	-
Thailand	(Bt)	25.4090	+0.004	040 - 140	25.4150	25.3970	25.5165	−5.1	25.6665	−4.4	26.324	−3.6	-

† SDR rate per $ for Sep 13. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 13: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

September 16	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.35	-	4.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.35	-	4.75
Germany	3	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	8.25	8.50
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	8.25	8.58
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.50	-
week ago	[illegible]	[illegible]	2	[illegible]	[illegible]	-	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.13	5.21	5.35	5.64	-	-	-
week ago	-	5.13	5.34	5.50	5.82	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 16	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.31	96.31	+0.04	96.33	96.30	9,831	37,754
Dec	96.18	96.18	+0.05	96.19	96.15	20,621	60,580
Mar	96.14	96.13	+0.03	96.16	96.12	7,549	38,648

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.89	96.90	+0.01	96.90	96.88	9997	150942
Dec	96.84	96.81	−0.01	96.84	96.81	45557	219660
Mar	96.74	96.71	-	96.74	96.71	21365	214507
Jun	96.54	96.52	−0.01	96.55	96.51	12474	158656

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.60	91.56	−0.01	91.60	91.57	4082	27916
Dec	92.05	92.02	-	92.07	92.01	23061	52724
Mar	92.38	92.33	−0.01	92.39	92.32	5552	27888
Jun	92.50	92.45	−0.01	92.50	92.45	2363	22749

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.02	98.00	−0.02	98.02	98.00	839	21182
Dec	97.99	97.90	−0.07	97.99	97.88	8386	44529
Mar	97.85	97.77	−0.07	97.85	97.76	2883	16583
Jun	97.64	97.56	−0.07	97.64	97.54	850	6095

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.33	99.33	+0.01	99.33	99.33	300	n/a
Mar	99.15	99.15	+0.01	99.15	99.15	1121	n/a
Jun	-	98.96	+0.01	-	-	0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.76	95.75	−0.02	95.76	95.76	379	7756
Dec	95.78	95.78	+0.01	95.79	95.75	2468	7416
Mar	95.74	95.74	+0.01	95.76	95.72	390	3406
Jun	95.59	95.60	+0.01	95.62	95.59	84	3002

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 16		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.70	16.54	4.856	1.996	4902	5.445	20.81	496.2	409.4	21.35	3.988	2.067	4.408	3.218	355.0	2.565
Denmark	(DKr)	53.48	10	8.847	2.597	1.068	2622	2.912	11.13	265.4	218.9	11.42	2.133	1.105	2.357	1.721	189.9	1.372
France	(FFr)	60.45	11.30	10	2.936	1.207	2963	3.292	12.58	299.9	247.5	12.90	2.411	1.249	2.665	1.945	214.6	1.550
Germany	(DM)	20.59	3.850	3.406	1	0.411	1009	1.121	4.285	102.2	84.30	4.396	0.821	0.426	0.908	0.663	73.11	0.528
Ireland	(I£)	50.09	9.366	8.287	2.433	1	2455	2.728	10.42	248.6	205.1	10.69	1.998	1.035	2.208	1.612	177.8	1.285
Italy	(L)	2.040	0.381	0.337	0.099	0.041	100.	0.111	0.425	10.12	8.352	0.435	0.081	0.042	0.090	0.066	7.243	0.052
Netherlands	(Fl)	18.38	3.434	3.038	0.892	0.367	900.2	1	3.822	91.12	75.18	3.920	0.732	0.380	0.809	0.591	65.20	0.471
Norway	(NKr)	48.05	8.985	7.949	2.334	0.959	2356	2.617	10	238.4	196.7	10.26	1.917	0.993	2.118	1.546	170.6	1.232
Portugal	(Es)	20.15	3.768	3.334	0.979	0.402	987.9	1.097	4.194	100.	82.51	4.302	0.804	0.416	0.888	0.648	71.55	0.517
Spain	(Pta)	24.43	4.567	4.041	1.186	0.488	1197	1.330	5.083	121.2	100.	5.215	0.974	0.505	1.077	0.786	86.72	0.626
Sweden	(SKr)	46.84	8.759	7.749	2.275	0.935	2296	2.551	9.748	232.4	191.8	10	1.868	0.968	2.065	1.507	166.3	1.201
Switzerland	(SFr)	25.07	4.688	4.148	1.218	0.501	1229	1.365	5.218	124.4	102.6	5.352	1	0.518	1.105	0.807	89.02	0.643
UK	(£)	48.39	9.048	8.005	2.350	0.966	2372	2.635	10.07	240.1	198.1	10.33	1.930	1	2.133	1.557	171.8	1.241
Canada	(C$)	22.69	4.242	3.753	1.102	0.453	1112	1.235	4.721	112.6	92.87	4.843	0.905	0.469	1	0.730	80.54	0.582
US	($)	31.08	5.811	5.141	1.509	0.620	1523	1.692	6.468	154.2	127.2	6.635	1.240	0.642	1.370	1	110.3	0.797
Japan	(Y)	28.17	5.267	4.659	1.368	0.562	1381	1.534	5.861	139.8	115.3	6.013	1.123	0.582	1.242	0.906	100.	0.722
Ecu		38.99	7.291	6.450	1.894	0.778	1911	2.123	8.114	193.5	159.6	8.324	1.555	0.806	1.719	1.255	138.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6610	0.6615	+0.0007	0.6618	0.6610	11,357	26,677
Dec	0.6650	0.6656	+0.0008	0.6661	0.6647	28,539	59,899
Mar	0.6693	0.6693	-	0.6693	0.6693	81	1,153

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9063	0.9053	-	0.9073	0.9047	76,750	29,048
Dec	0.9171	0.9171	+0.0001	0.9180	0.9156	24,720	79,481
Mar	0.9285	0.9290	−0.0001	0.9298	0.9285	240	864

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8047	0.8040	−0.0003	0.8054	0.8040	2,759	16,994
Dec	0.8117	0.8112	−0.0003	0.8134	0.8110	21,559	34,406
Mar	-	-	-	0.8193	-	150	1,074

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5540	1.5522	−0.0030	1.5550	1.5512	5,357	26,095
Dec	1.5544	1.5512	−0.0032	1.5554	1.5506	10,866	38,052
Mar	-	1.5520	−0.0030	-	1.5510	35	67

UK INTEREST RATES

LONDON MONEY RATES

Sep 16	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 - 4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Certs of Tax dep. under £100,000 is [illegible]pc. Deposits withdrawn for cash [illegible]pc. [illegible] Export Finance. Make up day Aug 30, 1996. Agreed rate for period Sep 25, 1996 to Oct 25, 1996, Schemes II & III: [illegible]pc. Reference rate for period Aug 1, 1996 to Aug 30, 1996, Scheme IV & V [illegible]pc. Finance House Base Rate 6pc from Sep 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.16	94.16	+0.01	94.17	94.15	6257	58493
Dec	94.21	94.18	−0.03	94.22	94.17	18800	110862
Mar	94.09	94.06	−0.02	94.10	94.04	13623	81538
Jun	93.80	93.78	-	93.81	93.75	7267	68862
Sep	93.46	93.46	-	93.47	93.44	3397	40784

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9400	0.16	0.23	0.26	0	0.05	0.20
9425	0.01	0.08	0.13	0.10	0.15	0.32
9450	0	0.02	0.06	0.34	0.34	0.50

Est. vol. total, Calls 1685 Puts 480. Previous day's open int., Calls 161313 Puts 159429

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	NatWestminster	5.75
Allied Trust Bank	5.75	Duncan Lawrie	5.75	•Rea Brothers	5.75
AIB Bank	5.75	Exeter Bank Limited	5.75	Royal Bk of Scotland	5.75
•Henry Ansbacher	5.75	Financial & Gen Bank	7.00	•Singer & Friedlander	5.75
Bank of Baroda	5.75	•Robert Fleming & Co	5.75	•Smith & Williamson Secs	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	Scottish Widows Bank	5.75
Bank of Cyprus	5.75	•Guinness Mahon	5.75	TSB	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	United Bank of Kuwait	5.75
Bank of India	5.75	•Hambros Bank	5.75	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Western Trust	5.75
Barclays Bank	5.75	•Hill Samuel	5.75	Whiteaway Laidlaw	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Yorkshire Bank	5.75
•Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75		
Citibank NA	5.75	Julian Hodge Bank	5.75		
Clydesdale Bank	5.75	•Leopold Joseph & Sons	5.75		
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	•Mount Credit Corp	6.00		

• Members of London Investment Banking Association
* In administration

EMS EUROPEAN CURRENCY UNIT RATES

Sep 16	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	161.048	−0.108	−0.89	2.55	6
Ireland	0.792214	0.786799	+0.001226	−0.68	2.34	5
Netherlands	2.15214	2.14141	+0.00087	−0.50	2.14	4
Portugal	195.792	195.201	−0.163	−0.30	1.94	2
Belgium	39.3960	39.3277	+0.0016	−0.17	1.81	1
Germany	1.91007	1.91062	+0.00073	0.03	1.60	0
Austria	13.4383	13.4451	−0.0047	0.05	1.59	−0
Denmark	7.28580	7.25874	−0.00061	1.00	0.63	−7
France	6.40608	6.51092	−0.0109	1.64	0.00	−14
NON ERM MEMBERS						
Greece	292.867	304.395	−0.011	3.94	−2.21	-
Italy	2106.15	1929.94	−0.82	−8.37	10.92	-
UK	0.786652	0.814281	+0.00163	3.51	−1.81	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	Oct	Nov	PUTS Sep	Oct	Nov
1.540	-	1.35	1.60	2.08	-	0.20	0.65
1.550	-	0.37	0.96	1.47	-	0.51	1.04
1.560	-	0.06	1.47	0.98	0.52	1.02	1.55
1.570	-	0.05	0.18	0.62	1.51	1.72	2.16
1.580	-	0.03	0.05	0.35	2.51	2.61	-

Previous day's vol., Calls 7,614 Puts 14,791. Prev. day's open int., Calls 179,049 Puts 182,053

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.46	94.44	+0.01	94.45	94.43	99,223	288,497
Dec	94.16	94.14	+0.01	94.16	94.13	255,608	470,864
Mar	94.04	94.02	+0.01	94.04	94.00	269,874	349,558

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	-	-	94.85	-	-	1,541	2
Dec	94.74	94.74	+0.01	94.74	94.73	1,205	4,093
Mar	94.60	94.60	+0.01	94.60	94.58	74	1,379

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	Nov	Dec	Mar	PUTS Oct	Nov	Dec	Mar
9675	0.15	0.09	0.11	0.13	0	0.03	0.05	0.07
9700	0	0.01	0.01	0.03	0.10	0.20	0.21	0.22
9725	0	0	0	0	0.35	0.44	0.44	0.44

Est. vol. total, Calls 16763 Puts 3743. Previous day's open int., Calls 426258 Puts 368427

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9825	0	0.04	0.09	0.25	0.39	0.57
9850	0	0.02	0.04	0.50	0.62	0.77
9875	0	0.01	0.02	0.75	-	-

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2594 Puts 2560

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9150	0.06	0.60	0.93	0	0.06	0.11
9175	0	0.39	0.72	0.18	0.14	0.16
9200	0	0.25	0.54	0.44	0.23	0.21

Est. vol. total, Calls 3666 Puts 1200. Previous day's open int., Calls 106756 Puts 48163

COMMODITIES AND AGRICULTURE

Profit-taking hits oil prices

By Robert Corzine

Oil prices fell sharply yesterday in spite of the continuing US military build-up in the Gulf. Traders attributed the falls to profit-taking after two weeks of steady rises as a result of the confrontation between Iraq and the US.

The price of the benchmark Brent Blend for November delivery was $22.45 a barrel in late London trading, down 68 cents from its close last Friday.

But traders said it was unclear whether yesterday's correction marked the end of the latest rally, or whether oil markets were merely pausing before resuming their ascent.

"These are still high numbers," said Mr Lindsay Horn, a trader at the London office of US investment bank Lehman Brothers. "Buyers will be saying let's sit tight and hope it falls further. . . but its 50-50 whether the next dollar movement will be up or down."

Although Middle East tensions have helped to drive oil price higher in recent weeks, the markets have been underpinned by positive fundamentals, including strong worldwide demand and smaller-than-expected increases in output from producers outside the Organisation of Petroleum Exporting Countries.

An additional bullish factor is the now widespread perception in the market that there is little prospect for early exports of Iraqi crude under the United Nations oil-for-food programme. The Centre for Global Energy Studies in London yesterday predicted that such exports were unlikely to appear "before the start of next year, at the earliest".

European forests 'can sustain demand increase'

By Frances Williams in Geneva

Europe's forests should be well able to meet rising European demand for timber over the next quarter of a century without threatening their sustainability, the United Nations Economic Commission for Europe says in a new report.

A joint study carried out for the ECE and the UN Food and Agriculture Organisation suggests that European demand for forest products will continue to grow steadily at between 0.8 and 1 per cent a year to 2020, given growth of gross domestic product of about 1 to 2 per cent annually.

Over the same period, Europe's harvest is predicted to increase from 390m cubic metres now to around 480m cu m. This is still only 70 per cent of the net annual rise in "removals" capacity, the study notes.

The ECE and FAO are expecting additional imports to help satisfy European demand, on the assumption that European timber producers will lose market share to more competitive suppliers.

The study nevertheless argues that if necessary a greater part of Europe's needs could be met from domestic resources.

The area of Europe's "exploitable" forest is expected to grow by just under 5m hectares – about 3 per cent – between 1990 and 2020, with most of the increase accounted for by Spain, France and Poland.

In addition, the waste paper recovery rate is forecast to rise from 37 per cent currently to 49 per cent in 2020, with a doubling or tripling of the volume recovered.

The study notes that in most European countries forest area and growing stock are stable or more often rising, with the notable exception of some Balkan countries including Greece, Albania and parts of the former Yugoslavia. Air pollution, fire and game damage, though serious in parts of Europe, show no strong tendency to expand, the ECE says.

"The challenge facing the forest sector in Europe is to remain competitive in increasingly global wood markets, while satisfying demands for recreation, biodiversity conservation and landscape protection," says Mr Christopher Prins of the ECE/FAO timber division.

European Timber Trends and Prospects into the 21st Century: Available from UN Sales Section, Palais des Nations, CH-1211 Geneva 10, $55.

Indian Spice Board sees export potential for vanilla

By Kunal Bose in Kochi

The Indian Spices Board has launched a multi-pronged programme to promote commercial cultivation of vanilla, used extensively in the preparation of food and confectionery products and medicines, in the south Indian states of Kerala, Karnataka and Tamil Nadu.

According to the Board officials, India, which has the right climate for growing the vanilla orchid, will emerge as an important exporter of the spice in about five years.

"Vanilla is a tropical orchid and we have found that the hot and humid climate of the south Indian states with an annual rainfall of over 75 inches offers the ideal condition of growing vanilla," said a board official. "Plots for vanilla vines should have a good drainage system with adequate humus. The natural preference should be for uncleared forest lands as they provide natural shade and protection from wind."

The cured vanilla beans from the experimental plots have a high vanillin content and a pleasing appearance, the two attributes that decide the price of the spice in the export market. The board has decided that India will export vanilla in different forms, such as unsplit beans, split beans, powder and oleoresins. A productivity level of 300kg of cured beans a hectare is considered satisfactory. But since India is laying emphasis on the tissue culture route of plantation, which should give a higher productivity level.

The board official said that present global vanilla production of around 3,000 tonnes matches the demand for the spice. The two dominant producers are Madagascar and Indonesia. As India joins the ranks of vanilla-producing countries, there should be further replacement of ethyl vanillin, a synthetic substitute.

Nickel plant closes after labour talks fail

By Bernard Simon in Toronto

Inco, the western world's biggest nickel producer, yesterday shut down its operations in Manitoba after unionised workers rejected a labour contract offer.

The company said deliveries to customers would not be affected, but an official declined to say how the company would make up the shortfall. The Manitoba operations, with an annual output of 90-100m lb of nickel, contribute about one-quarter of Inco's total production.

Members of the United Steelworkers of America voted overwhelmingly over the weekend to reject Inco's latest offer for a new labour contract. The previous three-year contract expired on Sunday night, enabling union leaders to call a legal strike. The unresolved issues centre on wages and shift scheduling.

Although the union said it had no immediate plans to strike, the company official said: "We're not going to operate without a contract". He added that, as of yesterday morning, no further meetings had been scheduled with the union.

CORRECTION

Eramet briefing

The Association of Mining Analysts will be hosting a presentation by Eramet of France, the world's third-largest producer of nickel, in London on Thursday, not tomorrow as stated in yesterday's Financial Times.

Coconut fibre producers plan to go up-market

Kunal Bose on a ten-year, $260m programme aimed at revolutionising the coir industry

The Indian Coir Board is awaiting federal government approval for a Rs9.32bn (US$262.54m), ten-year plan to revolutionise production of the hard fibre.

The plan has generated "a lot of enthusiasm among the coir producing states," says Mr K George Joseph, chairman of the board, as it promises to create a large number of jobs besides significantly improving working condition in the highly labour-intensive industry.

The federal government is to contribute Rs4bn to the cost of the plan, which aims at lifting production to nearly double production to over 500,000 tonnes a year. At the same time it is expected to add at least 120,300 new jobs to the existing 500,000.

Industry officials say that plan lays emphasis on adding extra value to the raw fibre – which comes from the outer husks of coconut shells – helping to raise the industry's annual earnings to Rs30bn from Rs8bn.

Shrugging off the setback in export of coir products so far in the current year as a temporary phenomenon, Mr Joseph says the plan should raise the industry's overseas sales to 120,000 tonnes from 48,086 tonnes in 1995-96.

The board will monitor the implementation of the plan, which is by far the most ambitious of the comprehensive development programmes undertaken by the member countries of the Asian and Pacific Coir Community. The UN Food and Agriculture Organisation's intergovernmental group on hard fibres thinks the Indian programme will have significant implications for other major coconut-growing countries.

"But our immediate problem," says Mr Joseph, "is to cope with the growing stocks of coir products which the recession in demand both within and outside the country has caused.

Export inquiries started falling last January, he says. "In the first four months [April-July] of the current financial year, coir goods export in terms of volume fell by 18 per cent to 11,328 tonnes and in value by 2 per cent to Rs532m compared with the same period in the previous year."

To provide relief to the producers, the government has already bought in coir goods to the value of nearly Rs250m. While further government buying is on the cards, it is also subsidising the industry by offering a rebate of 20 per cent on the list prices of coir products to consumers. The board complains, however, that it has not received enough money from the government to promote coir products abroad. "It is beyond the capacity of individual exporters to do any worthwhile promotion work," says Mr Joseph. "There are more than 300 exporters who together do business worth a little over Rs2bn and they entirely depend on the board for market promotion."

Mr E.B. Unni, chief executive of Aspinwall Group, which has produced and exported coir goods for over a century, says that sisal, a hard white fibre grown in some Latin American and east African countries, is making inroads into the coir market. "Sisal costs more than coir," he says. "However, sisal is a white fibre, which has better colour fastness than coir. Moreover, the sisal weavers, many of whom are based in southern Europe, have been coming up with excellent designs. The consumers, therefore, do not mind paying that extra for sisal products."

Industry officials have told the board that the removal of controls like the minimum support prices, export licensing and the fixing of statutory minimum prices for the procurement of coir products from small producers for export would boost exports. "The controls have bred corruption and helped in the generation of black money," says Mr Unni. The board maintains, however, that the financial weakness of the majority of the more than 5,000 coir producing units means that the removal of controls would expose them to exploitation.

Over the years, India has come to depend "too heavily" on the European market for coir goods export, says Mr Joseph. "The European countries account for over 70 per cent of our export income from coir. We are formulating a strategy to promote the sale of coir products in west Asia and South Africa. We will look at the other markets later."

There is a consensus in the industry that the major manufacturers should invest in new plant and machinery to make coir and coir/jute blended geotextile, for which the global demand is growing at an annual rate of 5 per cent. The present world market of over 850m sq m of geotextile is dominated by synthetics. But as coir and jute are biodegradable and their decomposition aids vegetation, industry officials hope eventually to capture at least 10 per cent of the market.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1389-90	1424-5
Previous	1406-07	1440-41
High/low	1393	1435/1415
AM Official	1392-3	1429-30
Kerb close		1415-6
Open int.	209,552	
Total daily turnover	114,118	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1203-5	1236-40
Previous	1217-20	1250-53
High/low	1205	1238
AM Official	1203-8	1240-1
Kerb close		1235-40
Open int.	357	
Total daily turnover	1,139	

■ LEAD ($ per tonne)

Close	790.5-1.5	795.5-6.5
Previous	809-10	812-13
High/low	802/801	806/785
AM Official	801-1.5	804.5-5.0
Kerb close		785-7
Open int.	35,397	
Total daily turnover	14,603	

■ NICKEL ($ per tonne)

Close	7290-300	7400-05
Previous	7480-90	7580-90
High/low	7395	7580/7350
AM Official	7390-95	7485-90
Kerb close		7420-30
Open int.	39,983	
Total daily turnover	18,678	

■ TIN ($ per tonne)

Close	6095-100	6155-8
Previous	6100-10	6165-70
High/low	6095	6160/6110
AM Official	6095-100	6155-56
Kerb close		6110-15
Open int.	15,956	
Total daily turnover	6,314	

■ ZINC, special high grade ($ per tonne)

Close	999-9.5	1026-6.5
Previous	997.5-98.5	1024-25
High/low	999	1027/1018
AM Official	999-9.5	1026-6.5
Kerb close		1017-7.5
Open int.	69,777	
Total daily turnover	22,426	

■ COPPER, grade A ($ per tonne)

Close	1881-2	1864-5
Previous	1893-95	1874-75
High/low	1880	1867/1858
AM Official	1881-2	1864-5
Kerb close		1864-5
Open int.	183,429	
Total daily turnover	66,813	

■ LME AM Official £/$ rate: 1.5613
LME Closing £/$ rate: 1.5570

Spot: 1.5598 3 mths: 1.5580 6 mths: 1.5565 9 mths: 1.5589

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	87.30	-0.75	87.70	87.20	447	3,976
Oct	87.10	-0.45	87.10	86.65	92	2,114
Nov	86.95	-0.25	87.00	86.95	27	1,461
Dec	86.80	-0.25	86.70	85.90	3,723	25,615
Jan	86.30	-0.25	86.30	86.20	8	1,069
Feb	86.00	-0.10	-	86.50	2	829
Total					4,668	55,791

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	382.60-383.00		
Opening	382.40-382.80		
Morning fix	382.65	246.267	474.601
Afternoon fix	382.90	246.380	475.399
Day's High	383.10-383.50		
Day's Low	382.40-383.80		
Previous close	383.00-383.40		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.87	6 months	3.75
2 months	3.85	12 months	3.65
3 months	3.84		

Silver Fix	p/troy oz.	US cts equiv.
Spot	325.20	504.60
3 months	329.35	510.75
6 months	333.40	517.20
1 year	341.95	530.60

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	248-250
Maple Leaf	389.25-391.75	-
New Sovereign	86-90	55-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Vol	Open int
Sep	383.0	+0.7	383.1	383.1	-	-
Oct	383.6	+0.7	383.7	383.1	1,075	8,447
Dec	386.3	+0.7	386.4	385.6	22,947	na
Feb	388.7	+0.7	388.8	388.2	2,016	13,991
Apr	391.0	+0.7	390.8	390.2	848	7,750
Jun	393.5	+0.7	393.6	393.6	111	11,144
Total					28,833	191,423

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Oct	389.7	-1.0	390.5	388.6	2,674	17,265
Jan	391.8	-1.0	392.5	390.7	570	5,902
Apr	394.3	-0.9	395.0	394.0	1,156	5,334
Jul	397.3	-0.9	398.2	397.0	2	587
Oct	400.8	-0.9	402.4	402.4	2	16
Total					4,402	29,104

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Sep	121.65	-1.05	-	-	3	35
Dec	122.90	-1.05	123.95	122.00	232	7,789
Mar	123.90	-1.05	-	-	3	162
Jun	124.85	-1.05	-	-	1	111
Total					235	8,097

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Sep	502.5	+3.2	-	-	308	454
Oct	503.3	+3.2	-	501.0	1	19
Dec	508.5	+3.2	509.0	505.0	14,781	83,855
Jan	511.3	+3.2	-	-	-	24
Mar	516.3	+3.2	516.5	513.0	592	11,103
May	521.4	+3.2	520.5	519.0	4	6,347
Total					15,701	91,717

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	23.73	-1.27	24.50	23.57	42,710	65,494
Nov	23.33	-0.97	23.81	23.23	36,465	57,951
Dec	22.74	-0.81	23.02	22.60	16,163	58,790
Jan	22.07	-0.76	22.30	22.00	8,890	34,519
Feb	21.58	-0.65	21.58	21.40	3,281	25,881
Mar	21.03	-0.67	21.10	20.95	3,300	15,203
Total					128,402	403,378

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	22.39	-0.74	22.55	22.32	12,689	70,567
Dec	22.10	-	21.85	21.67	6,894	36,751
Jan	21.07	-	21.15	21.00	4,093	21,720
Feb	20.46	-0.39	20.50	20.40	3,007	9,887
Mar	19.85	-0.38	19.87	19.80	305	8,757
Apr	20.10	-	20.10	20.10	75	4,711
Total					na	na

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	68.75	-2.42	67.50	66.50	17,836	37,082
Nov	66.70	-2.44	67.45	66.45	7,993	23,406
Dec	66.35	-2.29	67.00	66.10	6,030	28,803
Jan	65.25	-2.14	65.40	65.00	2,037	17,989
Feb	63.20	-2.04	63.40	62.90	1,271	6,417
Mar	60.25	-1.84	60.35	59.60	1,462	4,883
Total					37,753	136,590

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	213.75	-8.00	216.00	213.00	6,042	26,155
Nov	208.00	-7.75	209.75	207.00	2,582	14,937
Dec	202.50	-7.25	203.75	202.50	2,807	17,738
Jan	196.75	-6.25	197.50	196.50	3,252	8,487
Feb	189.50	-6.25	190.00	189.75	74	1,782
Mar	182.25	-6.25	183.50	182.00	399	3,211
Total					14,014	81,518

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	1.925	+0.061	1.945	1.895	13,802	32,291
Nov	2.110	+0.038	2.120	2.060	7,992	23,088
Dec	2.270	+0.036	2.285	2.240	8,841	17,942
Jan	2.310	+0.026	2.325	2.290	3,761	14,525
Feb	2.230	+0.020	2.250	2.215	1,378	8,579
Mar	2.140	-0.065	2.140	2.115	553	6,683
Total					30,889	146,806

■ UNLEADED GASOLINE

NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	63.50	-1.10	64.10	63.20	15,133	25,892
Nov	62.80	-1.08	63.80	62.60	7,609	12,428
Dec	61.60	-1.25	62.05	61.60	2,085	6,397
Jan	60.95	-1.05	61.10	60.95	1,843	5,633
Feb	60.15	-1.05	62.60	61.35	153	1,815
Mar	62.00	-	62.00	62.00	451	1,031
Total					27,374	58,183

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	104.20	+1.40	103.75	103.75	2	106
Nov	106.05	+1.05	106.40	105.75	187	2,080
Jan	108.05	+1.10	108.40	108.00	133	2,057
Mar	109.85	+1.30	110.00	109.65	110	1,177
May	111.65	+1.05	111.50	111.25	53	854
Jul	113.50	+0.85	-	-	-	135
Total					485	6,583

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Sep	423.25	-5.75	426.50	419.00	479	1,837
Dec	417.00	-7	422.00	412.00	13,614	46,924
Mar	411.50	-8.75	416.00	409.00	3,360	11,715
May	397.00	-7.75	402.00	395.00	92	839
Jul	375.00	-3.5	377.50	373.00	593	4,651
Sep	376.00	-8	387.00	385.00	50	92
Total					18,141	66,190

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Sep	357.00	-4.75	360.50	355.50	4,617	7,351
Dec	314.50	-7.00	321.00	311.50	45,175	187,621
Mar	322.50	-7.25	329.50	320.25	10,883	51,411
May	329.50	-6.75	336.00	327.50	4,214	21,635
Jul	331.25	-6.25	337.00	329.25	3,040	14,535
Sep	310.00	-6.25	314.50	310.00	364	1,662
Total					70,339	294,430

■ BARLEY LCE (£ per tonne)

Sep	100.50	+1.75	100.50	100.35	32	43
Nov	101.50	+0.90	101.60	101.25	17	959
Jan	102.80	+0.85	103.00	102.75	40	671
Mar	104.15	+0.20	104.00	104.00	5	160
May	106.00	+0.05	106.00	106.00	35	60
Total					129	1,795

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Sep	814.50	-14	824.00	808.50	667	2,710
Nov	793.00	-9	801.00	787.00	40,854	126,888
Jan	801.25	-8.75	809.50	796.50	4,765	25,720
Mar	807.00	-8	812.00	801.00	1,905	14,256
May	807.25	-7.5	812.00	801.50	1,726	13,398
Jul	808.50	-7	812.50	803.00	1,188	10,640
Total					51,849	198,881

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Sep	25.27	-0.38	25.52	25.11	331	1,280
Oct	25.44	-0.32	25.65	25.16	3,558	14,294
Dec	25.85	-0.39	26.11	25.61	7,393	44,862
Jan	26.08	-0.41	26.40	25.90	740	7,428
Mar	26.43	-0.35	26.59	26.23	209	8,102
May	26.72	-0.33	26.83	26.48	394	5,341
Total					12,865	82,861

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Sep	271.3	-0.9	271.0	268.8	3,756	4,717
Oct	259.7	-1.9	260.3	257.6	5,896	20,437
Dec	254.7	-2.2	258.8	253.0	8,800	45,046
Jan	253.2	-2.3	255.0	251.7	708	7,834
Mar	251.5	-2.1	254.0	250.0	453	8,895
May	249.0	-1.7	249.0	247.5	795	6,128
Total					21,018	96,889

■ POTATOES LCE (£/tonne)

Nov	40.0	-	-	-	-	-
Mar	75.0	-	-	-	-	-
Apr	66.3	+0.8	66.0	64.9	84	1,107
May	78.5	-	-	-	-	17
Jun	85.0	-	-	-	-	-
Total					84	1,132

■ FREIGHT (BIFFEX) LCE ($10/index point)

Sep	1004	-17	1015	999	77	799
Oct	1107	-16	1115	1105	82	1,328
Nov	1186	-6	1185	1185	20	320
Jan	1218	-9	1220	1215	41	951
Apr	1230	-10	1235	1230	10	249
Jul	1090	-8	1090	1090	-	27
Total					231	3,680

	Close	Prev
BFI	1030	1038

FUTURES DATA

All futures data supplied by CMS.

Tea

The Tea Broker's Association reports, good demand. Landed quality and good liquoring assams sold well at firm to dearer levels between 140 and 210 pence. However, plainer types were generally 3/6 pence easier. Bright East Africans were a strong feature and gained several pence particularly best Burundi pd's. Coloury mediums advanced 1/2 pence while lesser mediums were about firm. Offshore good competition at firm to dearer levels. Quotations: landed, best available 200-210p/kg., good 140p/kg., good medium 120p/kg., medium 109p/kg., low medium 85p/kg., nom . The highest price realised this week was 210p for a North Indian pf.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	973	+5	972	970	11	1,352
Dec	995	+7	1000	988	4,468	38,502
Mar	1012	+4	1021	1010	2,195	41,619
May	1026	+5	1032	1026	35	21,363
Jul	1039	+4	1041	1040	27	11,401
Sep	1052	+1	-	-	-	3,892
Total					6,837	141,331

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1376	+8	1387	1375	2,852	32,312
Mar	1409	+9	1419	1408	438	17,222
May	1426	+10	1432	1426	24	8,186
Jul	1444	+12	1444	1444	5	6,014
Sep	1460	+15	1460	1460	1	5,486
Dec	1487	+14	-	-	-	675
Total					3,384	78,244

■ COCOA (ICCO) (SDR's/tonne)

Sep 13	Price	Prev. day
Daily	1020.50	1020.50

■ COFFEE LCE ($/tonne)

Sep	1613	+12	1614	1580	86	1,628
Nov	1530	-4	1535	1515	1,588	12,943
Jan	1479	+1	1480	1460	748	5,906
Mar	1443	+6	1445	1420	198	3,406
May	1426	+6	1425	1405	72	892
Jul	1410	-4	1415	1405	17	187
Total					2,723	26,828

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Sep	116.10	+0.85	117.10	115.25	96	141
Dec	105.35	+0.65	106.80	103.80	5,995	13,982
Mar	101.35	+1.05	102.90	99.50	1,291	5,387
May	101.00	+0.45	102.50	99.90	115	1,887
Jul	100.90	+0.55	101.60	99.90	37	599
Sep	100.90	+0.55	100.00	100.00	59	193
Total					7,633	22,343

■ COFFEE (ICO) (US cents/pound)

Sep 13		Prev. day
Comp. daily	95.50	95.78
15 day average	101.59	102.36

■ WHITE SUGAR LCE ($/tonne)

Oct	350.6	+4.8	348.3	335.0	700	2,261
Dec	332.4	-6.1	337.9	331.9	1,357	7,624
Mar	332.4	-4.4	335.0	331.5	1,110	8,425
May	331.8	-4.0	335.0	331.5	142	3,309
Aug	332.8	-3.5	334.5	331.7	34	1,147
Oct	325.7	-1.6	328.0	325.0	23	842
Total					2,667	23,823

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Oct	11.57	-0.07	11.68	11.55	29,936	51,447
Mar	11.41	-0.04	11.44	11.35	19,293	63,098
May	11.25	-0.02	11.28	11.20	2,918	20,124
Jul	10.98	+0.01	11.02	10.94	1,788	14,122
Oct	10.88	+0.07	10.90	10.81	185	9,350
Mar	10.78	+0.11	10.80	10.78	40	1,575
Total					880	17,128

■ COTTON NYCE (50,000lbs; cents/lbs)

Oct	74.48	-0.32	75.40	74.27	1,136	4,629
Dec	75.48	-0.37	76.35	75.10	4,660	28,882
Mar	76.60	-0.40	77.35	76.32	692	8,952
May	77.30	-0.60	77.90	77.20	173	6,578
Jul	77.88	-0.47	78.20	77.70	90	4,709
Oct	77.65	-1.10	-	-	-	992
Total					6,887	59,438

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Nov	104.80	-1.75	107.45	104.60	355	8,752
Jan	105.05	-1.45	107.45	105.00	346	5,612
Mar	107.05	-1.45	109.40	106.80	119	2,392
May	109.05	-1.45	111.25	108.50	34	581
Jul	111.05	-0.65	110.50	110.50	-	204
Sep	112.25	-0.65	-	112.00	200	234
Total					893	17,977

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Sep 16	Sep 14	month ago	year ago
1914.6	1921.3	1942.7	2126.4

■ CRB Futures (Base: 1967=100)

Sep 14	Sep 13	month ago	year ago
245.86	247.09	-	-

■ GSCI Spot (Base: 1970=100)

Sep 14	Sep 13	month ago	year ago
203.64	205.10	200.85	182.99

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	72.950	-0.325	73.525	72.850	6,219	31,936
Dec	68.250	-0.625	68.950	68.200	5,035	30,495
Feb	65.450	-0.175	65.675	65.325	1,865	15,286
Apr	66.975	-0.1	67.100	66.775	500	6,753
Jun	64.850	-0.125	65.025	64.850	321	3,231
Aug	64.925	-0.05	65.000	64.875	159	3,241
Total					14,099	91,938

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Oct	54.800	-0.775	55.775	54.700	3,333	10,098
Dec	55.550	-1.1	58.800	55.400	3,873	14,174
Feb	75.700	-0.45	76.000	75.300	414	4,848
Apr	72.450	-0.3	72.900	72.300	188	1,759
Jun	77.750	-0.175	77.750	77.300	104	1,845
Jul	75.000	-0.725	75.250	74.975	35	423
Total					7,984	33,264

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	74.975	-2	76.700	74.975	1,547	4,792
Mar	74.875	-2	76.450	74.875	180	885
May	76.900	-2	78.350	76.900	54	308
Jul	77.500	-2	77.600	77.600	14	94
Aug	75.400	-2	-	75.400	3	25
Total					1,798	6,104

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1350	48	99	5	23
1400	16	68	24	41
1450	3	44	60	65
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
1800	93	130	19	78
1900	37	84	62	130
2000	10	51	136	195
■ COFFEE LCE	Nov	Jan	Nov	Jan
1550	47	71	67	142
1600	30	56	100	177
1650	18	44	138	215
■ COCOA LCE	Dec	Mar	Dec	Mar
975	62	74	32	37
1000	39	60	49	48
1025	29	49	59	62
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
2200	-	-	69	-
2250	-	-	100	-
2300	-	-	127	-

LONDON SPOT MARKETS

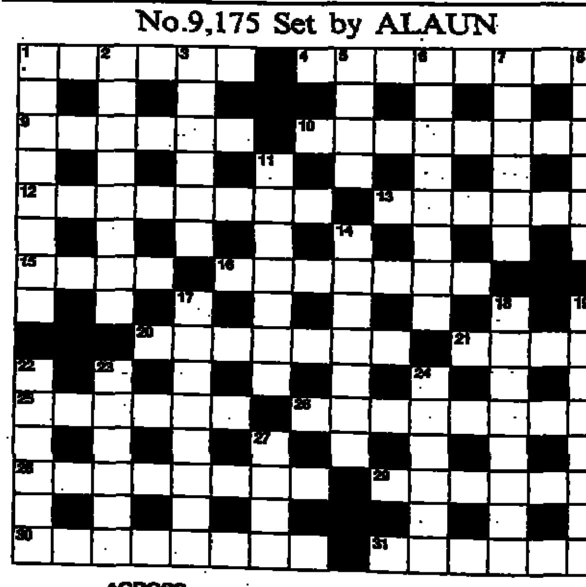
■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$20.11-0.21	-0.60
Brent Blend (dated)	$22.52-2.57	-0.965
Brent Blend (Nov)	$22.41-2.42	-0.645
W.T.I.	$23.32-3.34	-0.75
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$218-220	-3
Gas Oil	$220-222	-8
Heavy Fuel Oil	$113-115	
Naphtha	$203-205	-5
Jet fuel	$247-249	-9
Diesel	$231-233	-8
■ NATURAL GAS (Pence/therm)		
Bacton (Sep)	14.25-14.50	-0.125
Petroleum Argus. Tel. London (0171) 359 8792		
■ OTHER		
Gold (per troy oz)♣	$382.80	-0.40
Silver (per troy oz)♣	504.50c	-3.00
Platinum (per troy oz.)	$387.90	+0.15
Palladium (per troy oz.)	$121.50	0.50
Copper	96.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.00r	-0.02
Tin (New York)	284.50	-1.00
Cattle (live weight)	96.22p	+1.84*
Sheep (live weight)	117.79p	-4.93*
Pigs (live weight)†	108.41p	+0.10*
Lon. day sugar (raw)	$292.70	-9.70
Lon. day sugar (wte)	$340.50	-10.1
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	$141.5v	
Wheat (US Dark North)	Unq	
Rubber (Oct)♥	89.00p	
Rubber (Nov)♥	89.00p	
Rubber (KL RSS No1)	330.0v	
Coconut Oil (Phil)§	$732.5z	-7.5
Palm Oil (Malay.)§	$532.5x	
Copra (Phil)§	$470.0z	-17.5
Soyabeans (US)	228.0v	-3.0
Cotton Outlook'A' index	75.40	
Wooltops (64s Super)	422p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. v Sep. x Oct. z Sep/Oct ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 3,160 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,175 Set by ALAUN



ACROSS

1 That's a big glass for a little mouth! (6)
4 Go to the well once too often and you get into debt (8)
9 Tried instead to change the time (6)
10 Conscription is top priority (8)
12 Secret is to store, sliced, in ice shavings (8)
13 Gas-jet that's always too hot for the food? (6)
15 What you do to get a title? (4)
16 Double back to fill in the hole and get praise (7)
20 Sings about an hour and gives great pleasure (7)
21 Not feeling very tired (4)
25 Rulers of the waves? (6)
26 A sound step (8)
28 The funny fellow caught the runaway hound in the thriller (8)
29 Arms embracing the fellow annoys (6)
30 They're black trousers the woman's in (8)
31 Relied on one losing one's head when in front (6)

DOWN

1 Prepare to greet, when dressed, the new day (3,5)
2 Given that the elite didn't pay their bills (8)
3 Side one with another (6)
5 It is lacking in truth to a great extent (4)
6 Monk turns up – the train's moving out (8)
7 Rules that are, we're told, for the guidance of riders (6)
8 Flutters up again and sways about (6)
11 Complaining in vain that he's a no-good (7)
14 The gold, for the speculator, is at first rising (7)
17 Although, in short, uncouth – is painstaking (8)
18 Had happened to drop and been caught (8)
19 Loved the oldies I'd played (8)
22 Get angry when you enlarge the photo (4,2)
23 Long for a lawn (6)
24 Hit it and be out (6)
27 The fellow with the vivid imagination propping up the bar (4)

Solution to Saturday's prize puzzle on Saturday September 28.
Solution to yesterday's prize puzzle on Monday September 30.

مكتبة مكة الاصل

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

	Init Notes Chrge	Selling Price	Buying Price	+ or -	Yield Gr's
Fidelity Currency Funds Ltd					
Pembroke Hall, Pembroke, Bermuda					
UK Prof Advisers 0800 414181					
Private Clients 0800 414161		Jersey 01534 71696			
From O'seas (44) 1732 777377		00 352 250404250			
		Hong Kong (852) 846 1000			
A$ Accum		A$19.032		+0.003	5.80
ASch Accum		Sch248.45		+0.01	2.00
C$ Accum		C$15.648		+0.001	3.10
DM Accum		DM36.250		+0.002	2.00
DFl Accum		Dfl31.610		+0.002	1.70
ECU Accum		Ecu13.458		+0.001	3.20
FFr Accum		FFr86.877		+0.004	2.50
HK$ Accum		HK$128.79		+0.01	4.20
Lire Accum		L23440		+6	7.70
NZ$ Accum		NZ$38.583		+0.009	8.90
NKr Accum		NKr112.16		+0.01	3.40
S$ Accum		S$25.981		+0.001	1.70
SPta Accum		Pta2720.4		+0.5	6.40
£ Accum		£13.072		+0.002	4.70
SKr Accum		SKr128.88		+0.01	4.00
SFr Accum		SFr29.379		+0.001	0.80
US$ Accum		$23.425		+0.003	4.40
Yen Accum		Y2890.2		—	0.10
Prices for dealing September 16					
Jupiter Tyndall (Bermuda) Ltd					
PO Box HM1256, Hamilton, Bermuda 001 809 292 2760					
Jupiter Tyndall World Umbrella Fund Ltd					
Eurobond		$15.71	16.61	+0.07	3.43
Money (d)		$14.18	14.90	+0.01	2.58
Mortgage (d)		C$23.65	24.77	+0.16	7.47
North American		$14.36	16.09	+0.54	—
Overseas		$18.46	18.59	-0.08	—
Tiger		$17.16	18.03	-0.06	—
UK Small Cos		21.37	1.44	-0.02	0.00
Newport Investment Management					
20 Reid St, PO Box HM 3366 Hamilton Bermuda					
		Dealings: 01481 707080			
Mgt. Pacific	5	54.5751	+0.0381		—
Mgt Pacific		£2.9464	+0.0220		—
Newport Tiger Fd		38.0659	+0.0617		—
Newport Tiger Fd		24.4561	+0.0324		—
Orion Fund Limited					
8 Front St., Hamilton, HM11, Bermuda, HM 11441 292 8370					
Orion Sep 12		328.30		—	—

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

	Init Notes Chrge	Selling Price	Buying Price	+ or -	Yield Gr's
M & G (Guernsey) Ltd					
Westbourne, The Grange, St Peter Port 01481 723983					
Island Global Fd	0	1857.8	1982.7	+12.8	0.85
Island Gold	0	4534.5	4827.8	+15.7	0.15
(Accum. Units)	0	8004.5	8508.6	+30	0.15
Island UK Fd	0	1040	1102.4	+3.9	3.42
(Accum Units)	0	2505	2655.3	+9.4	3.42
Prudential Fund Managers (Guernsey) Ltd					
Po Box 61, St Peter Port Guernsey 01481 707000					
Prudential Money Funds Ltd					
Managed Sterling		159.9	159.0	+0.2	3.97
Managed Dollar	5	$14.42	14.43	—	3.73
Dollar Deposit		$10.18	10.34	—	3.82
Rothschild Asset Management (CI) Ltd					
PO Box 242, St Peter Port, Guernsey 01481 7197428					
FAIB £ Bond	3½	£21.55	22.25	+0.07	6.48
FAIB US$ Bond	3½	$32.34	33.42	+0.13	5.64
FAIB £ Global	3½	£17.92	18.63	+0.07	5.17
FAIB US$ Global	3½	$30.43	31.47	+0.13	5.02
Fm Asset Latin Am Dis	5	$13.80	14.00	—	0
FAIRL £		£44.858		+0.006	4.72
FAIRL A$		A$40.763		+0.006	6.63
FAIRL C$		C$36.087		+0.008	2.98
FAIRL DFl		Dfl100.279		+0.004	1.80
FAIRL DKr		DKr397.5		+0.030	2.98
FAIRL DM		DM67.831		+0.008	2.02
FAIRL ECU		Ecu21.827		+0.003	3.22
FAIRL BFr		BFr2037.93		+0.110	2.00
FAIRL FFr		FFr444.465		+0.032	2.64
FAIRL HK$		HK$180.73		+0.020	4.00
FAIRL Lire		L148038		+20.0	7.75
FAIRL NZ$		NZ$46.016		+0.010	6.90
FAIRL S$		S$66.894		+0.005	1.81
FAIRL Pta		Pta457.95		+0.760	6.43
FAIRL SF		SFr77.246		+0.002	0.91
FAIRL SKr		SKr201.83		+0.020	4.08
FAIRL U.S.$		$52.514		+0.007	4.30
FAIRL Yen		Y10114.06		—	0.00
FAIRL Man £		£26.31		—	4.05
FAIRL Man DM		DM64.568		-0.020	1.88
FAIRL Man $		$31.232		+0.030	3.78
FAIRL Man Int		$21.73		-0.006	2.15
FACRL £		£10.179		+0.001	4.55
FACRL A$		A$15.550		+0.003	5.80
FACRL C$		C$20.349		+0.001	2.78
FACRL DFl		Dfl50.287		+0.002	1.48
FACRL DKr		DKr151.49		+0.010	2.46
FACRL DM		DM40.313		+0.002	1.84
FACRL ECU		Ecu15.179		+0.001	2.87
FACRL BFr		BFr806		+0.040	1.77
FACRL FFr		FFr100.949		+0.007	2.27
FACRL HK$		HK$101.57		+0.010	4.29
FACRL Lire		L25788		+5.00	7.48
FACRL NZ$		NZ$20.833		+0.008	8.76
FACRL S$		S$30.167		+0.002	1.72
FACRL Pta		Pta2047.16		+0.340	6.27
FACRL SKr		SKr101.85		+0.010	3.91
FACRL SwFr		SFr30.105		—	0.84
FACRL U.S.$		$15.24		+0.002	4.18

IRELAND (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

IRELAND (REGULATED)(**)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Old Mutual International - Contd.

Alpha Fund Management Ltd

PanEuroLife societe anonyme

Arans Capital Advisers LLC

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, MERCHANT

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

مكتوم الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PAPER, PACKAGING & PRINTING - Cont.

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TELECOMMUNICATIONS - Cont.

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		2221/2xd	—	£241/2	£221/2	1,503	3.5	ф
Barlow	ф†	853	—	£10[illegible]	855	1,165	2.3	–
Gold Flds Prop R		137[illegible]	—	170	120	14.0	6.3	10.6
NK Props		80	—	95	75	3.22	11.4	–
SASOL	♥	645	—	710	475	3,777	1.7	–
SA Brews		£161/2	—	£261/2	£16[illegible]	4,859	2.2	ф
Standard Bank		£26[illegible]	+[illegible]	£32[illegible]	£21[illegible]	3,134	1.4	22.3
Tiger Oats	†	780	—	1270	770	1,185	2.1	16.1
Tongaat-Hulett		780xd	—	1247	736	747.8	2.4	ф

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ✦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on estimated dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a

FID (Foreign Income Dividend). R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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LONDON STOCK EXCHANGE

MARKET REPORT

Another all-time closing high for Footsie

By Steve Thompson,
UK Stock Market Editor

There was barely time for London's equity market traders to catch their breath yesterday before the market continued on its onward and ever upward path, which saw the two main indices, the FT-SE 100 and FT-SE Actuaries All-Share, move to new all-time intra-day and closing highs.

Building on last Friday's surges in stock markets on both sides of the Atlantic, and a fresh sprint to new peaks on Wall Street at the outset yesterday, the FT-SE 100 delivered a strong, if unspectacular, performance to end a net 9.3 firmer at a record close of 3,977.2. The FT-SE All-Share settled 4.25 up at a peak 1,961.01.

The FT-SE Mid 250, on the other hand, remained way off its all-time peak, ending 8.7 better at 4,462.0; the FT-SE Small Cap index moved up 2.4 to 2,187.6.

There was a strong groundswell of opinion around the City's dealing rooms that the momentum behind UK equities would drive the FT-SE 100 through 4,000 in the short term, with many adopting the view that the index will do so before Friday. There was much less optimism, however, about the prospects of the All-Share index moving through the 2,000 level in the short term.

Traders promise a day of extreme volatility on Friday, which sees the expiry of the FT-SE 100 and Mid 250 futures and FT-SE 100 index options. The expiries coincide with "triple witching" in the US as well as a number of expiries across Continental bourses.

"We're building up for a really big day on Friday," said the head of marketmaking at one of the big UK securities houses.

He conceded, however, that yesterday had proved extremely disappointing in terms of the level of genuine retail activity in the market. "It was a typical Monday, with the big institutions preferring to sit back and see how Wall Street performs before they make any big investment decisions," he said.

He expected London to "crack on" and get to 4,000 on the FT-SE 100, given a fair wind from Wall Street. The Dow Jones Industrial Average was in excellent heart yesterday, posting a 30-points gain an hour after London closed and seemingly set to record another new closing peak.

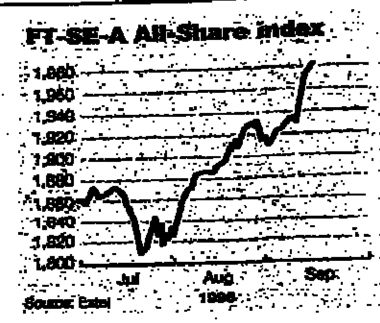
It was not only the much improved short term outlook for interest rates in the US and the UK that was behind the powerful trend in London yesterday.

There was a resurgence of speculation in Blenheim, the exhibitions group, after the company confirmed it was involved in takeover discussions. And there was widespread talk around the market that the surge in share prices could produce a burst of all-paper bids.

The day's corporate news did no real damage to the view that the interim reporting season was going better than expected.

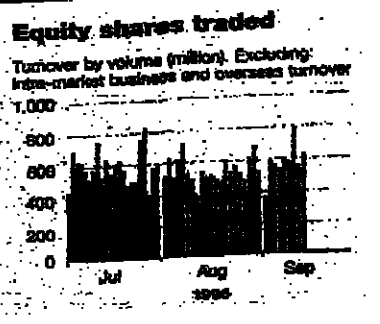
Turnover at 6pm was a disappointing 509.4m shares, while customer activity last Friday was worth £1.67bn.

FT-SE-A All-Share index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Indices and ratios

FT-SE 100	3977.2	+9.3
FT-SE Mid 250	4462.0	+8.7
FT-SE-A 350	1985.8	+4.5
FT-SE-A All-Share	1961.01	+4.25
FT-SE-A All-Share yield	3.75	3.75
FT Ordinary index	2859.9	+3.1
FT-SE-A Non Fins p/e	18.26	18.15
FT-SE100 Fut Sep	3988.0	+14.0
10 yr Gilt yield	7.80	7.87
Long gilt/equity yld ratio	2.15	2.17

■ Best performing sectors

1 Banks: Retail +1.0
2 Electronic & Elec +1.0
3 Building Mats +0.8
4 Pharmaceuticals +0.7
5 Insurance +0.7

■ Worst performing sectors

1 Oil Exploration -1.4
2 Retailers: Food -0.6
3 Water -0.4
4 Telecommunications -0.4
5 Retailers: General -0.4

NAV boost to GenAcc

Composite insurance group General Accident moved 13 ahead to 667½p as several brokers pointed to positive prospects for the group.

Analysts were keen to point out that the group should benefit from the recent advance in the US bond and equity markets.

Sentiment was further enhanced by a recommendation and upgrade from Kleinwort Benson. The securities house raised its asset value estimates for the company.

Kleinwort said its asset value estimate for the current year has risen to 711p, while that for the following year has moved to 800p.

Shares in the group were unsettled last week when hurricane Fran hit the US. General Accident is said to have the biggest exposure to the US of all the UK composite insurance groups.

International telecommunications group Cable & Wireless gained 7¼ to 448½p, in trade of 4.8m, following a clutch of recommendations from several brokers.

The list of current fans includes the team at ABN Amro Hoare Govett which believes "Cable & Wireless should be able to achieve growth rates in the region of 30 per cent over the market's average growth rates."

The team suggests this can be done through productivity gains and strong sales growth in the Pacific rim region. Mr James Ross at the broker added: "With the shares at a small premium to the market, there is scope to revalue to reflect the group's premium growth prospects."

Sentiment in the stock was further enhanced by reports that Merrill Lynch has upgraded its recommendation on the stock from "hold" to "accumulate".

In the rest of the sector, Vodafone Group was unloved and the shares surrendered 2½ to 230½p with dealers pointing to possible problems in the group's Australian subsidiary.

Sentiment was also hit by strong selling in the traded options sector. Heavy selling of the November 240 calls made it the day's most heavily traded stock option. Volume in the equity market was 4.7m at the close.

RMC delivered a sparkling performance in a generally strong building materials sector as the market began to build up expectations of a bullish statement to accompany Thursday's interim figures. Although analysts are forecasting a steep decline in profits, expected to come in the low £90ms against last time's £130m, the consensus is for a tweaking of the interim dividend. And some of the bulls were talking of an optimistic statement along with the numbers. RMC shares ran up 14 to a record closing level of 1,195½p.

Hopes of a recovery in both the UK and continental Europe lifted a number of construction stocks. Amey advanced 16½ to 367p following its interim results.

Travis Perkins, the builders merchant, rose 3 to 464p after announcing higher-than-expected first half results while Redrow hardened one penny to 134p. The latter company announced full year results and forecast an uplift in both home completions and average selling prices for the current financial year.

The easing of the oil price from its recent peak cast a shadow over leading issues in the sector. Lasmo was the worst performer in the FT-SE 100 in percentage terms with the shares giving up 5½ to 206½p.

Other oil issues to show a decline included Enterprise Oil where the shares fell 8¼ to 519p; Burmah Castrol, which shed 7 to 1,115½p; and BP, 2½ lower at 653p. However, bargain hunting and the continuing optimism over the potential for more cost-cutting in its European operations saw Shell Transport advance 5 more to a record closing level of 982½p after trade of 1.2m.

English China Clays was the worst performer in the FT-SE 250, falling 10 to 216½p, after half year results below most market estimates, and concerns over the level of potential write-downs and the full year dividend. Kleinwort Benson cut its forecast by £5m to £55m.

In the retail sector, J Sainsbury fell 4 to 378½p, with Kleinwort Benson downgrading its forecast from £765m to £735m. Although it has the stock as a long term "hold", it was advising clients to switch into the other three main retailers. Tesco fell 3¼ to 302½p ahead of today's results. Analysts, who have a broad span of forecasts, were eagerly awaiting news of the retailer's current price promotion.

A shortage of stock in TI Group sent the shares surging to the top of the Footsie best performers list yesterday. The stock put on 12 to 578½p in thin turnover.

Shares in the UK engineering and aerospace group have been moving steadily ahead over the last few sessions, boosted by favourable sentiment towards defence stocks in the wake of the current hostilities in the Middle East.

Other defence-related stocks continued to attract attention. British Aerospace gained another 3 to 1065½p, while Smiths Industries closed 8 ahead at 770p. A two-way pull in Rolls-Royce brought volume of 6.4m, although the shares held steady at 243p.

Morgan Crucible, which reported interim figures yesterday, ended the session 10½ ahead at 460p in volume of 1.9m. The engineering team at Merrill Lynch yesterday reiterated its positive stance on the stock.

Dorling Kindersley advanced 12½ to 544p following better than expected full year results. Panmure Gordon raised its full year forecast from £20.3m to £20.9m. It said that in a market where many CD-Rom makers were putting out profit warnings, the news from Dorling was positive.

Blenheim climbed 52½ to 420p on its announcement that it was involved in talks which could lead to a takeover. Media reports suggested that advances could have been made by Reed-Elsevier, the Anglo-Dutch publishing group.

Dalgety's interim results were in line with forecasts – which had come down – but a number of analysts cut full year estimates after the group expressed some caution on its European pet foods business and the potential for cost cutting. SGST cut its full year forecast from £143.5m to £135m while Credit Lyonnais Laing reduced its estimate from £132m to £115m.

Analysts dismissed speculation that Nestle, the biggest manufacturer of pet food in Europe, might be taking an acquisitive interest in Dalgety. One analyst said Nestle had the opportunity to acquire Quaker European Petfoods when Dalgety bought it last year and purchasing all of Dalgety to get it now would be clumsy. Dalgety hardened 2 to 329p.

FINANCIAL TIMES EQUITY INDICES

	Sep 16	Sep 13	Sep 12	Sep 11	Sep 10	Yr ago	*High	*Low
Ordinary Share	2859.9	2856.8	2833.3	2816	2831.2	2654.3	2865.2	2668.8
Ord. div. yield	3.99	3.99	4.03	4.04	4.02	4.08	4.22	3.76
P/E ratio net	17.29	17.27	17.11	17.07	17.15	15.78	17.29	15.80
P/E ratio nil	17.13	17.11	16.95	16.91	16.99	15.75	17.13	15.71

Ordinary Share index since compilation: high 2865.2 18/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2861.3	2863.1	2860.4	2860.0	2858.6	2859.8	2859.0	2857.9	2861.1	2864.4	2857.0

	Sep 16	Sep 13	Sep 12	Sep 11	Sep 10	Yr ago
SEAQ bargains	42,182	39,132	35,946	35,030	38,982	34,221
Equity turnover (£m)†	-	1670.3	1602.6	1571	2006.4	1923.1
Equity bargains†	-	40,940	36,641	36,253	40,492	40,679
Shares traded (mil)†	-	610.0	609.4	551.2	781.6	589.7

†Excluding intra-market business and overseas turnover.

	Sep 16	Sep 13	Sep 12	Sep 11	Sep 10	Yr ago	*High	*Low
FT-SE AIM	1044.70	1042.90	1040.30	1040.10	1049.20	-	1140.40	965.70

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	605	Total Highs	161	Total contracts	52,122
Total Falls	430	Total Lows	39	Calls	32,616
Same	1,422			Puts	19,506

Sep 16 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3979.0	3985.0	+11.0	3991.0	3977.0	14729	35161
Dec	4008.0	4011.5	+11.5	4018.0	4004.0	6190	30499
Mar		4030.0	+12.0				380

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4450.0	4450.0	+2.0	4450.0	4450.0	44	1379
Dec	4488.0	4480.0	-3.0	4488.0	4488.0	44	2511

■ FT-SE 100 INDEX OPTION (LIFFE) (3977) £10 per full index point

	3800		3850		3900		3950		4000		4050		4100		4150	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Sep	[illegible]															
Oct	[illegible]															
Nov	[illegible]															
Dec	[illegible]															
Jun†	[illegible]															

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3825		3875		3925		3975		4025		4075		4125		4175	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Sep	[illegible]															
Oct	[illegible]															
Nov	[illegible]															
Dec	[illegible]															
Mar†	[illegible]															

† Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§100	F.P.	[illegible]	100	100	[illegible]	100					
-	F.P.	12.1	65	62½	[illegible]	62½					
-	F.P.	204.8	[illegible]	[illegible]	Dairy Crest Grp	[illegible]		W9.1	2.7	6.1	7.5
*	F.P.	5.17	4	4	†Dartmaster	4		-	-	-	28.5
§145	F.P.	50.7	246	148	†Elec Retail Sys	241		-	-	-	-
§	F.P.	2.39	53	41	†Feyrewood	46½xd		Z0.4	-	1.1	-
§100	F.P.	94.4	109½	107½	†Gartland Whalley	108½	-1	-	-	-	-
§12.5	F.P.	1.66	14¼	13¼	†Grosvenor Land	14¼	+½	-	-	-	-
§65	F.P.	18.3	66½	64½	Hambros Sm Asn C	65½	+½	-	-	-	-
§100	F.P.	24.4	98	94	Hoare Gvt 1000 C	97½		-	-	-	-
§12	F.P.	0.60	15	12	†Life Numbers	12		-	-	-	-
§	F.P.	0.16	6	2	†Life Numbers Wts	5		-	-	-	-
-	F.P.	0.38	8	3	Pemberstone Wts	6	-1	-	-	-	-
§65	F.P.	12.1	70½	69½	†Polydoc	70½		-	-	-	-
§100	F.P.	82.0	98	90¼	Schroder Em Ctrs	94	+¼	-	-	-	-
§	F.P.	5.71	38	31	Schroder Em Wts	38½		-	-	-	-
-	F.P.	41.3	378½	343	Schroder Em Ct O	375		-	-	-	-
§66	F.P.	13.3	70	66	†Selector	66		-	-	-	-
-	F.P.	-	89½	85	St James Place	88½	+½	-	-	-	-
-	F.P.	-	73	69½	Value Realm Tst	70¼	+¼	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Sep 13	% chg on day	Sep 12	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (38)	1991.33	+1.3	1966.08	2045.84	1.57	-	2520.73	1722.93
■ Regional Indices								
Africa (18)	2631.80	+1.1	2604.32	2856.01	3.05	38.98	3553.86	2272.74
Australasia (6)	2154.36	+0.6	2141.47	2448.15	2.59	20.99	2927.34	2123.50
North America (11)	1790.65	+1.5	1764.05	1755.70	0.74	68.17	2186.39	1498.94

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FT - SE Actuaries Share Indices — The UK Series

	Sep 16	Day's chge%	Sep 13	Sep 12	Sep 11	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3977.2	+0.2	3967.9	3932.6	3905.6	3533.3	3.91	2.05	15.57	137.10	1646.67
FT-SE Mid 250	4462.0	+0.2	4453.3	4432.3	4418.3	3943.6	3.41	1.50	24.41	138.97	1811.21
FT-SE Mid 250 ex Inv Trusts	4498.7	+0.2	4490.4	4470.9	4456.3	3960.4	3.50	1.53	23.36	145.84	1829.73
FT-SE-A 350	1985.8	+0.2	1981.3	1965.4	1953.5	1762.4	3.81	1.96	16.88	67.07	1681.59
FT-SE-A 350 Higher Yield	1893.5	+0.3	1888.1	1869.6	1859.6	1741.5	5.08	1.83	13.42	85.92	1349.23
FT-SE-A 350 Lower Yield	2085.2	+0.2	2081.6	2068.4	2054.4	1788.8	2.66	2.14	21.88	48.72	1454.87
FT-SE SmallCap	2187.59	+0.1	2185.16	2179.36	2177.28	1986.14	3.02	1.62	25.55	51.05	1811.13
FT-SE SmallCap ex Inv Trusts	2184.76	......	2183.88	2178.76	2176.93	1986.91	3.22	1.69	22.90	53.82	1821.02
FT-SE-A ALL-SHARE	1961.01	+0.2	1956.76	1941.90	1930.82	1743.15	3.75	1.93	17.32	64.66	1685.83

■ FT-SE Actuaries All-Share

	Sep 16	Day's chge%	Sep 13	Sep 12	Sep 11	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3780.06	......	3781.89	3752.61	3735.73	3019.77	3.68	1.63	20.90	93.97	1635.42
12 Extractive Industries(6)	4196.26	+0.4	4178.85	4218.36	4108.50	4125.27	3.87	2.66	12.13	109.19	1234.62
15 Oil, Integrated(3)	3900.93	......	3900.37	3858.36	3850.39	3016.35	3.83	1.45	22.62	100.98	1732.84
16 Oil Exploration & Prod(15)	2745.11	-1.4	2782.81	2765.54	2784.67	2058.00	1.92	1.68	38.90	36.33	1654.16
20 GEN INDUSTRIALS(274)	2115.71	+0.3	2110.01	2088.34	2089.42	1996.87	3.96	1.76	17.96	64.12	1171.71
21 Building & Construction(34)	1193.68	+0.5	1187.97	1184.90	1178.17	923.71	3.48	1.55	23.12	26.35	1006.02
22 Building Matls & Merchs(29)	2024.05	+0.8	2008.89	1982.55	1948.85	1741.88	3.80	1.68	19.63	52.75	1032.60
23 Chemicals(25)	2495.51	+0.2	2491.51	2482.33	2482.77	2507.59	4.06	1.45	21.26	79.87	1199.93
24 Diversified Industrials(18)	1608.77	-0.2	1607.77	1596.66	1584.13	1798.40	5.74	1.62	13.43	74.90	916.22
25 Electronic & Elect Equip(36)	2446.09	+1.0	2422.93	2403.00	2388.40	2155.86	3.19	1.48	26.51	56.79	1287.09
26 Engineering(71)	2609.04	+0.3	2601.68	2567.21	2535.84	2190.95	3.12	2.47	16.22	59.70	1600.48
27 Engineering, Vehicles(14)	3180.15	......	3178.91	3130.77	3114.93	2582.55	3.39	1.70	21.69	96.19	1675.00
28 Paper, Pckg & Printing(28)	2703.48	-0.2	2707.61	2692.32	2695.21	2963.77	3.83	1.82	17.96	83.17	1143.74
29 Textiles & Apparel(19)	1244.24	-0.3	1247.83	1250.56	1256.57	1630.01	5.70	1.31	16.79	47.35	771.25
30 CONSUMER GOODS(81)	3730.27	+0.5	3710.35	3686.43	3665.37	3330.71	3.79	1.94	17.00	121.16	1400.95
32 Alcoholic Beverages(8)	2856.24	+0.5	2842.71	2828.79	2812.67	2924.60	4.42	1.62	17.48	91.68	1044.33
33 Food Producers(24)	2629.96	+0.6	2613.93	2597.81	2573.39	2501.66	3.98	1.86	16.90	76.14	1202.22
34 Household Goods(15)	2695.88	-0.3	2703.04	2689.49	2679.83	2848.56	3.78	2.25	14.73	62.90	1037.07
36 Health Care(20)	2060.93	+0.2	2056.41	2053.40	2052.23	1941.69	2.66	2.19	21.42	38.69	1261.40
37 Pharmaceuticals(13)	5653.07	+0.7	5612.37	5574.73	5542.23	4507.47	2.99	2.06	20.30	162.93	1950.20
38 Tobacco(1)	3718.72	-0.1	3722.95	3660.60	3660.60	4400.62	7.05	2.06	8.63	262.07	957.63
40 SERVICES(252)	2601.65	-0.1	2604.86	2593.52	2580.35	2203.81	2.84	1.96	22.56	64.74	1368.85
41 Distributors(31)	2940.76	+0.7	2920.72	2887.97	2866.58	2784.05	2.99	1.75	23.88	63.15	1094.81
42 Leisure & Hotels(24)	3229.96	+0.2	3223.21	3187.24	3184.78	2492.93	2.72	2.05	22.47	185.07	1762.13
43 Media(46)	4392.65	-0.2	4402.57	4396.46	4373.97	3359.76	2.08	2.05	29.43	85.09	1605.31
44 Retailers, Food(14)	1989.44	-0.6	1982.10	2000.66	1993.20	2186.97	3.89	2.98	15.62	56.07	1268.47
45 Retailers, General(44)	2192.78	-0.4	2201.21	2182.60	2169.47	1616.15	2.93	2.07	20.66	52.63	1268.27
47 Breweries, Pubs & Rest.(23)	3125.35	+0.2	3118.68	3121.20	3107.16	2584.24	3.26	1.98	19.33	67.77	1515.22
48 Support Services(49)	2539.77	+0.4	2530.15	2509.04	2504.93	1862.61	1.92	2.31	28.23	36.80	1623.99
49 Transport(22)	2492.20	......	2493.17	2470.25	2446.44	2244.79	3.79	1.07	30.71	68.80	1053.31
60 UTILITIES(32)	2335.24	-0.3	2341.99	2317.59	2306.96	2583.40	5.50	1.80	12.63	158.45	1039.78
62 Electricity(11)	2372.60	+0.1	2370.28	2349.95	2341.82	2622.56	6.84	2.40	7.62	429.17	1284.75
64 Gas Distribution(2)	1355.43	-0.2	1358.63	1338.28	1333.65	1766.27	6.84	0.83	16.96	66.67	710.93
66 Telecommunications(5)	2003.83	-0.4	2012.51	1989.53	1974.06	2173.41	4.08	1.53	20.29	50.32	930.74
68 Water(11)	2210.73	-0.4	2220.51	2217.33	2215.12	2068.59	6.23	2.31	8.68	94.85	1250.31
69 NON-FINANCIALS(663)	2064.76	+0.1	2062.84	2047.73	2035.47	1865.76	3.73	1.84	18.26	68.44	1593.06
70 FINANCIALS(104)	3203.70	+0.7	3179.97	3151.57	3135.42	2614.50	4.13	2.38	12.72	112.87	1405.91
71 Banks, Retail(8)	4614.84	+1.0	4568.83	4507.95	4480.42	3581.06	3.93	2.71	11.76	174.00	1542.11
72 Banks, Merchant(6)	3760.44	......	3751.46	3743.60	3735.26	3682.79	2.74	2.80	16.25	77.11	1201.31
73 Insurance(22)	1484.69	+0.7	1474.13	1468.58	1456.42	1384.16	5.65	2.30	9.62	60.17	1134.94
74 Life Assurance(7)	3572.16	......	3570.43	3567.45	3536.52	2952.03	4.29	1.93	15.11	103.40	1498.84
77 Other Financial(20)	2662.65	+0.2	2657.59	2641.73	2649.49	2257.31	4.03	1.76	17.60	84.68	1542.06
79 Property(41)	1664.26	+0.4	1659.03	1651.60	1662.95	1444.33	3.65	1.26	25.80	44.61	1039.37
80 INVESTMENT TRUSTS(127)	3204.79	+0.3	3193.62	3171.33	3164.17	2971.79	2.22	1.11	50.67	55.17	1128.61
89 FT-SE-A ALL-SHARE(894)	1961.01	+0.2	1956.76	1941.90	1930.82	1743.15	3.75	1.93	17.32	64.66	1685.83
FT-SE-A Fledgling	1249.23	+0.2	1247.09	1244.93	1245.47	1081.65	2.77	2.35	19.16	25.41	1318.01
FT-SE-A Fledgling ex Inv Trusts	1264.20	+0.2	1262.28	1260.49	1261.31	1077.09	2.96	2.53	16.69	27.72	1335.12

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3976.7	3979.0	3976.6	3975.8	3975.1	3976.8	3976.0	3972.8	3977.5	3980.6	3972.2
FT-SE Mid 250	4456.4	4458.6	4460.5	4460.3	4461.4	4461.2	4461.4	4460.8	4462.4	4462.6	4456.4
FT-SE-A 350	1985.0	1986.2	1985.4	1985.0	1984.9	1985.5	1985.2	1983.9	1985.9	1987.0	1983.6

Time of FT-SE 100 Day's high: 8:52 AM Day's low: 2:53 PM. FT-SE 100 1996 High: 3977.2 (16/09/96) Low: 3632.3 (16/07/96).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1169.2	1169.2	1170.5	1170.5	1170.8	1171.7	1171.7	1171.8	1173.2	1173.4	1167.9	+5.5
Pharmaceuticls	5550.6	5580.6	5556.1	5558.9	5553.2	5560.2	5559.8	5563.4	5582.2	5582.2	5541.6	+40.6
Water	2215.2	2214.9	2208.5	2202.0	2203.0	2202.4	2200.0	2198.1	2197.4	2197.4	2207.4	-10.0
Banks, Retail	4858.1	4872.4	4899.6	4671.8	4675.2	4681.6	4678.2	4668.8	4672.6	4673.7	4627.1	+46.6

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.

 † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All trades are rounded. Source: FT Base.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 16 / Sch)

BELGIUM/LUXEMBOURG (Sep 16 / Frs.)

CZECH REP (Sep 16 / Koruna)

DENMARK (Sep 16 / Kr)

FINLAND (Sep 16 / Mka)

FRANCE (Sep 16 / Frs.)

GERMANY (Sep 16 / Dm.)

GREECE (Sep 16 / Drachma)

ITALY (Sep 16 / Lira)

NETHERLANDS (Sep 16 / Fls.)

NORWAY (Sep 16 / Kroner)

POLAND (Sep 16 / Zloty)

PORTUGAL (Sep 16 / Escudo)

SPAIN (Sep 16 / Pta.)

SWEDEN (Sep 16 / Kronor)

SWITZERLAND (Sep 16 / Frs.)

TURKEY (Jun 16 / Tk Lira)

PACIFIC

JAPAN (Sep 13 / Yen)

HONG KONG (Sep 16 / H.K.$)

INDONESIA (Sep 16 / Rupiah)

MALAYSIA (Sep 16 / MYR)

NEW ZEALAND (Sep 16 / NZ $)

SINGAPORE (Sep 16 / S$)

AUSTRALIA (Sep 16 / AusS)

SOUTH KOREA (Sep 16 / Won)

TAIWAN (Sep 16 / TW $)

THAILAND (Sep 16 / Baht)

NORTH AMERICA

CANADA

TORONTO (Sep 16 / Can $)

4 pm close

MONTREAL (Sep 16 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Sep 16 / Rand)

INDICES

INDEX FUTURES

US INDICES

Dow Jones	Sep 13	Sep 12	Sep 11	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5838.52	5771.94	5754.92	5838.52 (13/9)	5032.94 (10/1)	5838.52 (13/9/96)	41.22 (8/7/32)
Home Bonds	102.01	101.73	101.47	106.09 (14/2)	100.89 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2057.62	2042.50	2035.36	2296.20 (22/5)	1882.71 (18/1)	2296.20 (22/5/96)	13.23 (8/7/32)
Utilities	218.55	218.38	215.89	234.00 (12/2)	204.86 (30/7)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 5871.44 (5815.59) Low 5788.73 (5739.76) (Theoretical♣)
Day's high 5855.17 (5794.13) Low 5773.05 (5753.81) (Actual♣)

Standard and Poors	Sep 13	Sep 12	Sep 11	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	680.54	671.13	667.28	680.54 (13/9)	598.48 (10/1)	680.54 (13/9/96)	4.40 (1/6/32)
Industrials♥	804.09	793.25	788.78	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.52 (30/6/32)
Financial	71.66	70.45	69.98	71.66 (13/9)	58.67 (10/1)	71.66 (13/9/96)	7.13 (4/8/74)
NYSE Comp.	363.70	359.73	358.00	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.64 (25/4/42)
Amex Mkt Val	570.26	566.65	566.05	614.98 (22/5)	525.60 (18/7)	614.98 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1188.67	1165.81	1153.95	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (3/10/74)

■ RATIOS

	Sep 13	Sep 6	Aug 30	Year ago
Dow Jones Ind. Div. Yield	2.17	2.24	2.25	2.40
	Sep 11	Sep 4	Aug 28	Year ago
S & P Ind. Div. yield	2.02	2.06	2.02	2.11
S & P Ind. P/E ratio	21.84	21.50	21.77	18.35

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Hanson	29,540,000	13¼	+¼
PepsiCo	7,973,400	29¾	−⅛
Micron	5,784,100	23¾	+¼
WalMart	5,780,700	27¼	−⅛
IBM	5,504,100	122⅝	+4⅝
Gillette	4,738,100	70⅝	+4⅝
H Packard	4,852,100	46½	+2
Fed Nat Mtg	4,085,400	34⅝	+1
Duracell	3,849,100	62¾	+4½
Xerox	3,618,400	53⅝	−1⅝

■ TRADING ACTIVITY

● Volume (million)

	Sep 13	Sep 12	Sep 11
New York SE	487.502	398.834	375.199
Amex	23.273	17.521	17.949
NASDAQ	647.855	555.509	498.538
NYSE			
Issues Traded	3,226	3,208	3,195
Rises	1,725	1,473	1,243
Falls	721	870	1,021
Unchanged	780	865	931
New Highs	220	152	111
New Lows	19	27	36

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Sep	–	682.85	–	–	–	19,969	84,230
Dec	688.95	688.85	–	689.90	688.35	89,915	134,612

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Dec	20610.0	20870.0	+270.0	20940.0	20550.0	48,450	181,476
Mar	20540.0	20740.0	+230.0	20740.0	20540.0	16,840	909,476

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♥ Subject to official recalculation.

FT FREE ANNUAL REPORTS SERVICE

■ TOKYO - MOST ACTIVE STOCKS: Friday, September 13, 1996

	Stocks Traded	Closing Prices	Change on day
Ga-Jo-En Kanko	30.4m	52	+10
NKK Corp	9.8m	282	+4
Nippon Steel Cp	8.9m	345	+2
Kobe Steel	7.3m	281	+6
Bk Tk-M,bishi	6.3m	2170	+30
Mitsubishi Hvy	6.2m	871	+5
Kawasaki Steel	5.8m	383	+6
Toshiba Corp	5.4m	710	+11
Nissan Motor	5.4m	869	+21
Matsushita E Ind	4.9m	1820	+20

4 pm close September 16

NEW YORK STOCK EXCHANGE PRICES

1996 High	1996 Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23¾	17¾	AAR	0.48	2.1	23	2451	23⅞	22⅛	23⅞	+1⅝
46⅛	36⅛	AMP	1.00	2.5	18	4719	39⅞	39¼	39½	+⅝
97½	68	AMR			18	5563	82½	81½	82	+1⅛
50½	37⅜	ASA	2.00	5.0	26	169	40	39¾	39⅞	
49¾	38⅛	AbbtL	0.96	2.0	21	9052	u48¾	47⅞	48	+¼
17¼	12¼	Abitibi Pr	0.40	3.0	6	284	13⅝	13⅜	13½	-⅛
20¼	13½	ABM Ind	0.35	2.0	17	66	17½	17⅜	17⅜	-⅛
18⅝	13⅞	Acpincoln			35	39	17½	17¼	17¼	-½
50⅜	37¾	ACE Ltd	0.58	1.2	11	1540	47⅛	46¾	47	
10⅛	9¼	ACM Gvt In x	0.90	9.1	8	165	10	9⅞	9⅞	
7⅜	6⅝	ACM GrOpp x	0.57	8.3		125	6⅞	6¾	6⅞	
9⅝	8⅞	ACM Man x	0.90	9.5		451	u9⅝	9½	9½	
13⅞	6⅛	Acme Elect	0.32	4.5	118	60	7⅛	7	7⅛	+¼
17½	13⅞	Acme Mills			9	118	15⅛	14⅞	15	
33¾	27¾	Acordia	0.72	2.3	18	7	30⅞	30¾	30⅞	
21⅞	12	Acuson			89	2212	17⅞	17⅝	17⅞	
19¾	17⅞	Adams Expr	0.48	2.4	1	241	u19¾	19½	19¾	+¼
21¼	10¾	AdvMic			6	9851	13⅝	13⅛	13⅜	+⅜
11⅛	8½	Advest Grp	0.16	1.6	7	19	10	9⅞	9⅞	-⅛
28⅛	9⅛	Advo Inc	0.10	1.0	506	311	10⅜	10	10⅛	-⅛
51½	41⅛	Aegon x	1.46	2.8	15	144	u51½	50½	51¼	+½
6¾	3½	Aeroflex			3	118	5⅛	5⅛	5⅛	-⅛
70¾	57⅝	Aetna	0.80	1.1	7	4141	u70¾	70⅛	70⅝	+½
35½	26¼	Aflac	0.40	1.1	14	969	35⅛	34½	35	+⅛
21⅛	17⅛	AGL Res	1.06	5.3	16	291	20	19¾	19⅞	-⅛
28	21¼	Ahmanson	0.88	3.4	7	5390	26⅞	26¼	26¼	-⅜
60⅞	50⅛	AirPrC	1.10	1.9	15	2163	57⅞	56¾	56¾	-⅞
28⅜	20⅜	Airbne Frt	0.30	1.3	15	580	23⅛	22¾	22⅞	-¼
24¼	15½	Airgas Inc			38	339	24⅛	23⅝	23⅞	+⅛

[illegible]

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Continued on next page

NYSE PRICES

4 pm close September 16

Continued from previous page

- X - Y - Z -

58¼	39¾	Xerox x	1.16	2.2	47	10463	54¼	53⅜	53⅞	-⅛
47⅞	39¾	Xtra Corp	0.72	1.6	16	90	44	43⅝	43⅞	+⅛
25¾	20⅜	Yankee Egy x	1.30	6.1	11	41	21⅝	21⅜	21⅜	-¼
53¾	43⅞	York Int	0.36	0.7	22	521	49⅞	48¾	49	+½
3⅞	3	Zapata	0.14	3.7	10	15	3¾	3⅝	3¾	+⅛
25¾	5⅞	Zenith El			10	4340	15¼	14⅝	14⅞	+⅛
28⅞	21½	Zenith Nat	1.00	3.7	38	35	27⅞	27¼	27⅜	+⅛
7⅛	6½	Zenix Inc	0.72	10.1		191	7½	7	7⅛	
22⅞	15⅛	Zero	0.12	0.6	16	18	19⅝	19¼	19½	+⅛
29¾	18½	Zurn Ind	0.40	1.8	18	156	21⅞	21⅝	21¾	-⅛
11⅜	10½	Zweig Fund	1.06	9.7		592	11⅛	10⅞	11⅛	+¼
9	8¼	Zweig Tot x	0.84	10.0		458	8½	8⅜	8⅜	

Price data supplied by Telekurs.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. s/s-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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NASDAQ NATIONAL MARKET

4 pm close September 16

AMEX PRICES

4 pm close September 16

Cambrex	0.13	16	18	34⅛	34	34	
Can Marc	0.14	34	24	11¼	11⅛	11¼	+⅜
Cntrl FdA	0.01		397	4 11/16	4⅝	4⅝	-1/16
Cominco	0.30	15	2	21¾	21¾	21¾	
CmpTch		112	95	10⅛	9⅝	10⅛	
Compudrac		118	25	2½	2⅜	2⅜	-1/16
Goldfield		5	245	11/16	6¼	¼	
HanDir		2	2176	1	d⅞	15/16	-⅛
Hasbro	0.40	18	2961	37¼	36⅝	36⅝	-⅝
NatPatDev		4	18	8⅞	8⅞	8⅞	-⅛
NY TmA	0.56	21	732	32¼	32	32⅛	+¼
NumacE		110	60	4 7/16	4⅜	4 7/16	
ViacomB		123	11622	36⅛	35¼	35⅞	+½
WRET	1.12	17	234	12¾	12½	12½	-⅛
Xytronix		3	23	1 15/16	1⅞	1 15/16	

FINANCIAL TIMES Tuesday September 17 1996

AMERICA

US shares on course to set new peaks

Wall Street

Friday's upward momentum carried through to yesterday's activity in the US equity market as shares continued to gain in early trading, *writes Lisa Bransten in New York.*

At 1 pm both the Dow Jones Industrial Average and the Standard & Poor's 500 were stronger, putting them on course to surpass the records set on Friday.

The Dow added 44.39 at 5,882.91, and the S & P was up 4.26 at 684.80. The American Stock Exchange composite added 0.40 at 570.66. NYSE volume was 230m.

The technology-rich Nasdaq composite also rose with a gain of 6.97 at 1,195.64, and the Pacific Stock Exchange was 1.3 per cent stronger.

Bonds lent some support to shares as they largely held on to Friday's gains, which kept the yield on the benchmark 30-year Treasury below 7 per cent.

Both stock and bond markets surged on Friday after weak data on consumer prices and retail sales led investors to abandon fears that the Federal Reserve would raise interest rates at next week's meeting of its Open Market Committee.

Rising shares in the Dow included Aluminum Company of America, $1⅞ stronger at $64, American Express, which rose $1⅛ at $45¾, IBM, ahead $1¼ at $123¾, and United Technology, which strengthened by $3⅛ to reach $120⅞.

Elsewhere, Centerior Energy jumped $1½ or 20 per cent at $9⅛ after the electric utility announced it had agreed to merge with Ohio Edison in a deal valued at $4.8bn. Shares in Ohio Edison lost $1 or 5 per cent at $19⅞.

Intuit, the financial software company, gained $1⅞ or 6 per cent at $32 after reporting a fourth quarter loss that was slightly smaller than analysts had expected and announcing that it would sell its bill payment and electronic banking service business to CheckFree. Shares in CheckFree jumped $2[illegible] or 16 per cent at $20⅞.

Nike also gained on better than expected earnings. Shares in the athletic shoe and apparel company gained $2⅞ at $122⅛. Nike also announced that it planned a two-for-one stock split.

America Online rose $1 at $28 in its first day of trading on the NYSE.

Canada

TORONTO continued its record-setting pace at midday, following gains in New York. The TSE-300 composite index gained 19.13 to a new intra-day high of 5,262.40 by midsession in moderate volume of 35m shares.

Banking shares again posted strong improvements. Royal Bank of Canada added 65 cents to C$36.85 and Toronto Dominion Bank gained 40 cents to C$27.35.

São Paulo moves ahead

São Paulo moved higher at midsession in follow through trading after Friday's advances locally and on Wall Street. The Bovespa index, which closed 1.2 per cent higher on Friday, was 414 ahead at 65,057.

Brokers said retail stocks were likely to receive a boost from a local press report saying that banks were focusing more on personal credit.

BUENOS AIRES moved sideways in listless midsession trading which saw the Merval index just 0.11 higher at 540.78.

Analysts commented that, although investors were discounting congressional approval of an Argentine government tax package this month, they remained wary of political opposition to the reforms.

EUROPE

Rate hopes carry Frankfurt to fresh record

Investor sentiment remained strong in FRANKFURT and prices pushed deeper into record territory.

Wall Street had a strong opening session, bunds improved by a handful of ticks and equity futures were buoyant. But it was the cash market's day and the Dax index climbed 15.74 to an Ibis-indicated 2,630.24.

Traders said there had been an upturn in sentiment after last week's weaker US inflation news. That had reduced fears of a rise in US interest rates and traders are also hoping the Bundesbank will cut rates and boost the stuttering German economy.

Chemicals raced up the sector rankings, helped by the news of an operational restructuring at Bayer plus a possible link-up with the Swiss drugs giant, Roche, to market over-the-counter medicines. Bayer added DM1.16 to DM56.03.

Mannesmann advanced DM8.70 to DM561 as investors refocused on the group's fast-expanding telecommunications interests. Adidas jumped DM6.50 to DM144.50 following US news of strong profits from the rival sports wear group, Nike.

PARIS made modest gains to extend the recent rally to eight straight days, but trading was described by brokers as mixed. After last week's strong performance, there were tentative signs of profit-taking. The CAC-40 index closed 5.82 higher at 2,086.19, but rising stocks only just managed to outstrip losers.

Michelin was strong ahead of today's results, adding FFr5.7 to FFr260.1, and Saint Gobain, where interims are due on Thursday, gained FFr10 to FFr668. Renault, hit last week by weak results, recovered FFr2.7 to FFr117.8.

Alcatel Alsthom, which announces results this month, came off sharply as the countdown to the submission of bids for the Thomson group got under way. The shares lost FFr14.8 to Ffr374.1. Rhone-Poulenc added FFr2.7 to FFr136.4 in advance of today's Paris presentation by 68 per cent owned Rhone-Poulenc Rorter.

Eiffage, the loss-hit public works contractor, ended off FFr23 at FFr377 after a roller coaster ride that saw two trading suspensions during the day.

AMSTERDAM showed little overall change but the overall performance masked a number of dramatic share price movements.

Royal-Dutch Shell came off steeply and there was a further sharp fall for leading Dutch brewer, Heineken. At the close, the AEX index was 2.12 firmer at 568.17.

The shakeout at Royal-Dutch and Heineken was exacerbated by both shares going ex dividend. But for these two downward movements, the AEX index would have been 2.5 points higher, according to brokers.

The oil giant was said to have been hit by undisguised profit-taking and Heineken continued to suffer from the aftermath of last Friday's disappointing results. Royal-Dutch ended Fl 2.10 at Fl 263.60 and the brewer closed off a further 6 per cent at Fl 303, down Fl 19.50.

MILAN reverberated to the sound of another tumble by Olivetti, the troubled information technology group, which fell 9.8 per cent early in the session, sparking an automatic suspension. The shares fell L56 to L516 and two subsequent attempts to trade were abandoned as the price immediately moved to a record low of L515.

The falls followed news that the chief executive officer, Mr Francesco Caio, would be questioned by the Ivrea public prosecutor as part of an inquiry into charges of false accounting.

Mr Carlo De Benedetti's holding companies, Cir and Cofide, also took a battering, both down around 8 per cent at their low points of the day. Cir, the industrial holding company, finished L31.3 down at L539.1 after a low of L510 while Cofide, the financial holding company, ended L11.6 down at L383.5, after L360. The broad market, however, remained firm with the Comit index adding 5.82 to 607.08.

ZURICH closed mixed as investors waited for lower prices, while low domestic interest rates and the weaker Swiss franc continued to support the market. The SMI index edged 5.9 higher to 3,722.7.

Nestlé fell SFr15 to SFr1,398 as CS Equity Research cut its earnings forecast for the second time in a week in the light of the company's disappointing operating performance in the first half of 1996.

HELSINKI closed at an 11 month high on strong demand for Nokia in the wake of Wall Street's strong performance on Friday. The Hex index finished 22.67 higher at 2,152.77, although some analysts noted increasing caution in a market that had already risen by 22 per cent this year. Nokia was FM6.50 higher at FM196.50.

WARSAW set a second consecutive 30 month high but analysts said that the market could enter a brief profit-taking correction in the next few days after the 7.8 per cent surge since Monday of last week. The Wig index rose 327.5 or 2.3 per cent to 14,623.8 and turnover jumped 54.3 per cent to 186.4m zlotys.

ATHENS continued its advance for the fifth consecutive session in heavy volume of Dr11.9bn which suggested to analysts that many investors were positioning themselves ahead of Sunday's general election. The general index closed 16.01 or 1.7 per cent higher at 974.20. Small-caps gained 1.1 per cent.

ISTANBUL picked up 1.8 per cent on improved sentiment as tensions between Iraq and the US seemed to have cooled after a peaceful weekend. The IMBK-100 index rose 1,039.7 to 65,818.96.

TEL AVIV jumped 2.9 per cent after Friday's consumer price index which proved at the low end of expectations, and in response to the rise of Israeli shares quoted on Nasdaq at the end of last week. The Mishtanim index gained 5.48 to 195.00.

Written and edited by Michael Morgan and Jeffrey Brown

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Sep 16 / Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Eurotrack 200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Sep 13	Sep 12	Sep 11	Sep 10	Sep 9
FT-SE Eurotrack 100	1687.81	1678.86	1683.86	1668.46	1664.57
FT-SE Eurotrack 200	1763.06	1747.46	1736.18	1737.89	1726.12

[illegible]

ASIA PACIFIC

Bangkok extends rally on hopes of political change

Growing expectations that this week's confidence debate in parliament would result in political change spurred BANGKOK further ahead. Wall Street's big Friday gains also helped sentiment and there was further buying by the two support funds.

At the close, the SET index was 19.23 ahead at 1,058.87 for a four-day rally of more than 8 per cent.

Dealers said that, to some extent, the market was artificially supported by two funds, notably the Government Savings Bank fund which was established to help liquidate forced-sell debts.

They added that political factors had swung to the forefront of investor thinking. Any radical change in the political situation was likely to boost investor confidence.

Blue chips led the day's upturn with banks and finance shares leading the way for most of the session.

HONG KONG was sharply higher for a second straight session, and the Hang Seng index rose 198.86 or 1.7 per cent to 11,567.90, in turnover that jumped to HK$7.6bn, on the view that interest rates were unlikely to rise.

Among properties, Cheung Kong and Sun Hung Kai Properties each rose HK$1.25 to HK$67.00 and HK$78.50 respectively, and New World Development added HK$1.10 to HK$39.60. Henderson Land closed at a new record, rising HK$1.75 to HK$65.25 after reaching an intra-day high at HK$65.50.

In the banking sector, HSBC Holdings also stormed to a new record close, rising HK$3.00 to HK$140.50, after reaching an intra-day high at HK$141.00. Hang Seng Bank rose 1 dollar to $1.75.

Hopewell rose 17.5 cents to HK$4.35 as the company confirmed that it was in talks over the sale of part or all of its stake in Consolidated Electric Power Asia. Cepa shares rose 85 cents to HK$16.30.

Tokyo was closed for a public holiday

SINGAPORE took its lead from sharp rises in Malaysian over-the-counter stocks. The Straits Times Industrials index picked up 28.22 to 2,154.49 as the UOB OTC index, tracking mainly Malaysian stocks, rose 10.66 points to 1,184.60.

Seaview Hotel surged S$1.40 to S$15.00 on speculation over the redevelopment potential of its site.

KUALA LUMPUR saw aggressive buying of leading stocks by UK and Japanese institutional funds, which took the composite index 14.00 or 1.3 per cent higher to 1,131.55.

Analysts pointed to political and economic uncertainties in neighbouring Thailand and Indonesia as factors that induced the inflow of foreign funds into Malaysia.

Rashid Hussain, the diversified stockbroker, rose to a new high for the year, closing up 50 cents at M$12.10 on speculation of a group restructuring.

Speculative buying took the property developer, Khong Guan, up M$5.30 at M$27.00.

SYDNEY closed higher with the All Ordinaries index up 15.5 at 2,267.8.

Banks saw big gains amid suggestions that there would be another cut in interest rates in Australia before long. ANZ rose 16 cents to A$7.00 and National Australia Bank added 15 cents to A$12.55. BHP and CRA rebounded after last week's falls.

BHP gained 14 cents to A$16.48 and CRA closed up 6 cents at A$18.56. The gold index added 5.0 to 1,861.8.

WELLINGTON ended firmer but failed to build on initial gains. In what was described as a relatively quiet session, the NZSE-40 Capital index ended 7.56 firmer at 2,221.45.

Lion Nathan, the brewer, recovered 6 cents to NZ$3.65 and NZ Telecom added 8 cents to NZ$6.86. Fletcher Energy climbed 8 cents to $3.50 in further response to the tension in the Gulf, even though crude oil prices eased from last week's peaks.

Dealers said that politics were starting to move centre stage ahead of the general election. They said that with the corporate reporting season over, the October 12 election had taken over as the main market topic.

TAIPEI moved ahead with the weighted index ending up 53.91 at 6,518.46. "Domestic demand-oriented shares took turns to rise, triggering the overall upward momentum to break resistance at 6,500," said one trader.

Financials were strong. Chinatrust rose 50 cents to T$53. Polyester fibre price increase sparked a number of gains among textiles with Shinkong Synthetic Fibre up 20 cents at T$24.5.

SEOUL was depressed by the Won200bn of margin loans that investors owed to brokerage houses which must be paid back in the next two months. The composite index closed 0.15 higher at 781.88, after ranging from 780.88 to 788.40.

Blue chips edged higher on bargain hunting and some foreign buying.

SHENZHEN'S hard currency B index climbed 1.1 per cent on speculative demand for a few issues which had announced good interim results. The B index rose 0.93 to 88.43.

SHANGHAI saw some speculative demand which took the B index 0.250 higher at 50.402.

S Africa Industrials higher

Johannesburg stocks moved higher in heavy, futures-inspired trading.

The overall index added 55.3 to 6,926.3. Industrials gained 79.5 to 8,155.5, but the golds index, hit by renewed bullion price worries, dipped 14.1 to 1,751.3.

Turnover, boosted by the expiry of the September futures contract, was the second heaviest on record with R958.3m worth of shares changing hands. South African Breweries showed a R3.50 rise to R131.25.

Among gold shares, Kloof retreated R1.50 to R40.75 and Vaal Reefs shed R3.00 to R385.

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1996	% change sterling † Start of 1996	% change in US $ † Start of 1996
Austria	+0.28	-1.05	-0.77	+6.03	+0.20	+0.33
Belgium	+1.59	+1.68	+17.63	+9.64	+3.42	+3.55
Denmark	+1.47	+1.83	+14.82	+16.09	+10.26	+10.40
Finland	+2.05	+2.45	-20.15	+17.53	+11.50	+11.64
France	+3.16	+4.66	+11.97	+14.02	+7.99	+8.12
Germany	+2.96	+1.58	+11.43	+13.23	+7.02	+7.16
Ireland	+1.65	+1.33	+18.27	+13.85	+14.06	+14.20
Italy	+2.35	-1.07	-11.17	-1.89	+1.95	+2.08
Netherlands	+2.84	+1.89	+21.91	+16.60	+10.22	+10.36
Norway	+1.31	+2.72	+8.90	+12.35	+9.32	+9.46
Spain	+2.87	+0.85	+15.60	+12.28	+6.58	+6.72
Sweden	+3.54	+6.13	+12.91	+20.80	+19.66	+19.81
Switzerland	+2.05	+1.29	+22.73	+11.78	+3.54	+3.67
UK	+1.69	+2.28	+11.09	+8.02	+6.02	+6.15
EUROPE	+2.39	+2.27	+11.97	+11.01	+7.65	+7.79
Australia	+0.84	+0.27	+2.60	+0.54	+7.08	+7.21
Hong Kong	+2.70	+1.59	+16.24	+11.99	+11.84	+11.99
Japan	+2.07	-0.36	+6.66	-0.74	-7.39	-7.27
Malaysia	+1.00	+2.02	+10.09	+12.75	+14.44	+14.58
New Zealand	-1.24	+2.92	+1.53	+0.66	+6.98	+7.11
Singapore	+0.79	+2.08	+8.14	-3.06	-2.85	-2.73
Canada	+2.04	+3.44	+15.20	+12.71	+12.12	+12.26
USA	+3.71	+2.33	+17.34	+10.35	+10.21	+10.35
Mexico	-1.36	-1.73	+27.99	+19.04	+21.91	+22.06
South Africa	+1.24	+6.99	+21.50	+11.78	-8.57	-8.46
WORLD INDEX	+2.80	+1.72	+12.94	+7.86	+8.13	+8.26

† Based on September 13th 1996. © Copyright, FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. 1996. All rights reserved.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	FRIDAY SEPTEMBER 13 1996: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY SEPTEMBER 12 1996: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (78)	203.73	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria (24)	175.11	0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium (27)	216.57	0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brazil (28)	182.21	0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada (117)	166.64	1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark (30)	318.60	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland (23)	208.85	0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France (93)	193.97	0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany (58)	175.41	0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong (58)	434.17	0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Indonesia (27)	197.27	0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland (16)	291.80	0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy (58)	75.23	1.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan (481)	143.86	1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia (107)	555.87	0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mexico (18)	1264.26	0.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherland (19)	300.97	0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand (15)	85.32	0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway (36)	253.18	0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philippines (22)	205.12	0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Singapore (44)	398.09	0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South Africa (44)	244.64	0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain (37)	178.29	1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden (48)	373.90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland (37)	244.84	0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thailand (48)	138.61	0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom (200)	249.34	0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
USA (623)	277.25	1.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Americas (787)	253.52	1.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe (708)	216.52	0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nordic (137)	319.71	1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Basin (878)	157.85	0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Euro-Pacific (1584)	182.18	0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North America (740)	270.49	1.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe Ex. UK (508)	194.16	0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Ex. Japan (397)	285.66	0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. US (1792)	183.87	0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. UK (2215)	209.50	1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. Japan (1934)	250.20	1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
The World Index (2415)	212.83	1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONSTITUENT CHANGE [illegible]

Optimism on monetary union grows

By Gillian Tett, Economics Correspondent

Confidence is growing among British-based banks that the City of London will be ready to handle the single European currency in 1999 – even if the UK stays outside European monetary union.

A report which the British Bankers Association plans to publish next week, in association with other industry groups, will argue that London's preparations for Emu are proceeding very well.

One banking official says: "Six months ago I wasn't so confident – but now I am sure that London will be ready."

The upbeat conclusions from the banking sector comes as the Bank of England, the UK central bank, yesterday published its own report on the City's preparations on Emu.

Mr Eddie George, governor of the Bank of England, reiterated his belief – disclosed in an interview with the FT yesterday – that London would benefit from Emu, even if it stayed outside.

However, the report admitted that there was unlikely to be any rapid resolution to the wrangle between the UK, France and Germany over Target, the future EU payments system. France and Germany insist that access for countries outside Emu to Target should be restricted. But the Bank of England said its demand for equal access was justified.

Mr George warned that restrictions would lead to the development of other payment mechanisms – and potentially harm Target itself.

However, these views are not shared by all City institutions: the BBA has encountered considerable difficulty for its own report in finding a consensus among the banking community over the threat that Target poses to London.

● More than half of the British public want the government to keep open its options on whether sterling should join a single European currency, according to a poll published yesterday by an all-party group of MPs.

The poll, carried out by Mori for the European Movement and backed by an all-party group of 100 MPs, shows that 60 per cent of those questioned believe the UK should retain an open stance on a single currency. They favoured deciding whether or not to join when preparations have developed further.

Exchange merger 'will benefit London'

Trevor Humphries

Launch party: (from left) Robin Woodhead, head of LCE, Michael Cassidy, Corporation of London, Jack Wigglesworth, Liffe chairman, Daniel Hodson, Liffe chief executive

By Susanna Voyle in London

The merger of two London exchanges will reinforce the role of the British capital as a leading financial centre, their leaders said yesterday.

On the day the London International Financial Futures and Options Exchange and the London Commodities Exchange began operating as a merged market – to be known as Liffe – Mr Jack Wigglesworth, chairman of the merged exchange, said it was "determined to ensure that financial futures and options emerging as a result of Emu are traded in London and that it becomes the world centre for euro derivatives trading".

Mr Robin Woodhead, chief executive of the former LCE, said: "It reaffirms London as one of the principal international centres for commodity trading."

The merger of Liffe and the LCE was announced last year. It creates the only exchange in the world to offer trading in futures and options on financial, agricultural, soft commodity and equity-index products as well as equity options.

The market plans to develop new European agricultural products.

● Investment institutions planning to set up a property derivatives market will next month apply for authorisation from the Securities and Investments Board, the lead UK financial services regulator, Simon London writes.

The group comprises AMP, British Land, ESN Investment Management, Hermes, Legal & General, NatWest Group, Norwich Union, Prudential, Scottish Amicable and Standard Life.

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Commodities, Page 28
Capital markets, Page 29

Above-average pay rises for directors

By Richard Donkin in London

The UK's highest paid directors have been receiving average pay rises in double figures over the past year, more than four times the rate of inflation, according to new research published today.

The annual management pay review published by Incomes Data Services says the highest-paid directors in Britain's largest quoted companies – those in the FT-SE 100 – have had average pay increases of 12.6 per cent, more than three times the national average pay rise which was running at 3.75 per cent in June.

The increase represents a significant recovery from last year when directors' pay rises averaged only 9.9 per cent. In 1994 an average 22.2 per cent led to public condemnation of some leading directors as "fat cats" for accepting large salary and bonus rises at a time of pay restraint and heavy redundancy programmes among lower-paid employees.

The latest increases, which were driven mainly by higher bonus payments, brought the average total earnings for those in the most recent financial period for which figures are available, to £684,671 ($1.06m). The research looked at details of salaries, benefits and bonuses in the most recent annual reports of 96 of the top 100 publicly quoted companies with year ends between June 30 1995 and April 28 1996.

Base salary and benefits increased by an average 7.1 per cent to an average £448,801 and annual bonuses rose to an average £243,157 from £147,019 in the previous survey. Five company chiefs had increases of more than 40 per cent, and the heads of 16 companies had increases topping 20 per cent.

Mr John Monks, general secretary of the TUC, accused company leaders of operating "double standards".

The Institute of Directors said: "These are the people running our top companies and competing in international markets. Competitive pay packages are needed to retain them."

Sinn Féin wary on ceasefire hopes

By John Kampfner, Chief Political Correspondent

Sinn Féin yesterday distanced itself from mounting speculation that the Irish Republican Army, its military wing, was considering a restoration of the 18-month ceasefire, which was broken last February.

The latest flurry of reports about a possible change in IRA policy coincided with talks in London between senior UK government officials and Ms Nancy Soderberg, a senior adviser to President Bill Clinton.

Opinion among senior political and security officials in London, Dublin and Belfast was mixed, with acknowledgment that a shift by the republican movement in forthcoming weeks was possible. "Bubbles are appearing indicating some momentum," one official said.

Suggestions that Mr Gerry Adams and the political leadership in the republican movement might be winning the argument over non-violence gained credence during a recent visit to Washington by Mr John Bruton, prime minister of the Republic of Ireland. He indicated there that pressure might be growing for a change of tack by Sinn Féin.

The rumours intensified with reports from Dublin that the IRA was preparing to call a General Army Convention. This would be the first meeting in 10 years of the organisation's highest body.

However, Mr Martin McGuinness, Sinn Féin's chief negotiator, said the reports were "very fanciful".

● Mr Tony Blair, leader of the opposition Labour party, last night strongly condemned the decision by an MP in his party to preside at the launch in the Houses of Parliament of the autobiography of Mr Gerry Adams, president of Sinn Féin. "I condemn this event without reservation," said Mr Blair.

Central bank attempts reassurance on monetary union

By Gillian Tett

A striking and complex diagram appears in the report by the Bank of England, the central bank on the City of London's preparations for the single European currency. It is supposed to illustrate how planning for monetary union is proceeding in London.

But the 30 arrows make it a pattern of bewildering complexity. Indeed, the only clear image is that the Bank places itself in the centre of preparations with the Treasury dangling in one corner.

The complexity underlines a far broader problem. The biggest difficulty in assessing how the City will be affected by Emu is that financial markets are fragmented while the issues in the debate are numerous and highly technical.

The Bank's latest report, the second in a series, provides a detailed checklist of the work under way. It hopes that simply setting this information down in a highly public manner will both reassure the public and prod the private sector into action.

But it fights shy of making any strong political statements about the City's future – other than arguing that the UK will be ready to cope with Emu in 1999, whether or not it joins the project.

"Planning to develop the financial infrastructure is now well in hand to ensure that the euro may be used in the UK at the wholesale level, in the payments system and across markets, by the beginning of 1999," it writes.

However, these preparations are patchy. The London International Financial Futures & Options Exchange, for example, is praised for its early planning, but the London Stock Exchange has only recently started to examine the legal implications of companies wanting to list in the new currency, and others, like Lloyd's, have yet to discuss the possibility of quoting in euros.

Meanwhile, progress on the outstanding City-wide Emu issues includes questions on:

● UK payments systems ability to handle the single currency, the euro, and links with the pan-EU system, Target. Chaps – the UK sterling payments system – plans to introduce a parallel euro stream, even if the UK stays outside Emu.

● Financial market conventions, like bank holidays. The Bank has established a co-ordinating committee to consider conventions for the gilt market. It hopes this could trigger a broader process to harmonise European conventions with the US and Tokyo.

● Preparations of the legal framework: the Bank broadly supports the Commission's legal proposals for Emu – although it argues these should be discussed with the business community.

● Tax and accounting: the Bank calls for a discussion on the taxation implications for profits generated from derivatives contracts which might become void.

● Business awareness: the Bank admits non-City companies are less advanced and plans to issue a joint document with the Confederation of British Industry to provide information.

Practical Issues arising from the Introduction of the Euro. Bank of England, Threadneedle Street, London EC2R 8AH.


It took you a long [illegible] walk.
Air France will save you some when you want to fly.
BERLIN - MONTREAL IN [illegible] 15 min.* daily
MANCHESTER - BEIJING IN 12 [illegible] 45 min.*
NEW HUB TRANSFER SYSTEM
PARIS CDG 2 AIRPORT
[illegible] best way of walking is [illegible] up his words with [illegible] process. The person you can best rely on today for getting around [illegible] hub transfer system gives you access to a worldwide network of 600 long-distance and 2,600 medium-hau[illegible] every week. [illegible] earn Miles too while you travel, with our new "Fréquence Plus" frequent flyer program. Today it seems the best way [illegible] faster and better is to put one foot after the other and enter an Air France airliner. *Theoretical flight [illegible] on flight schedules published by Air France / Air Inter Europe. YOU WILL ALWAYS HAVE A REASON TO FLY AIR FRANCE.
AIR FRANCE

EU anti-dumping action to protect weavers alarms fabric finishing sector

Cotton import trade threatened

By Jenny Luesby in London

British textile producers have protested against an anti-dumping action due to be announced by the European Commission this week. The move is against imports of undyed cotton fabric from India, Pakistan, Indonesia, China, Taiwan and Egypt. These countries account for more than half of the unfinished cotton fabric imports into Europe.

Coats Viyella, Europe's largest textiles producer, said the action could threaten more than 300 jobs at the group's own UK operations and up to 1,000 jobs across the British textile finishing sector.

Once imported, the fabric is dyed, printed and finished by European producers, primarily for the home furnishings market. The UK has one of the largest fabric finishing sectors in Europe.

Around 250,000 tonnes of the "grey" cotton fabric are imported into Europe each year. Of this, about 20 per cent – worth £150m ($234m) last year – enters the UK.

Fabric finishers are dependent on these imports because so little of the fabric is woven in Europe. Eurocotton, the trade body that has won a two-year battle for intervention, claims that the anti-dumping action is necessary to stop a "haemorrhaging" of the European cotton weaving industry.

The trade body sought anti-dumping measures for unfinished fabrics a year ago, but failed to win the support of the Commission. In February it relaunched its campaign, arguing that developing country producers were undercutting German, French and Italian weavers by between 28 per cent and 36 per cent.

Eurocotton said fabric weaving was capital intensive, with the same machinery used in Europe as elsewhere. "This is not an issue of low labour costs, these producers are selling at an unfair price."

Duties of between 3 and 36 per cent are due to be announced at a meeting in Brussels later this week. However, fabric finishers said the duties would create a real competitive threat, arguing that Europe was a minor player in the weaving industry, but further downstream in dying, printing and finishing it was still significant.

"There is a dearth of grey cotton fabric in Europe, which is why we import so much," said Mr Keith Foley, chairman of Coats Viyella's home furnishings division. "Dying and printing add more value than weaving, and developing countries are keen to capture this market."

"Countries like Egypt and India have been actively investing ... and have the capacity to finish fabrics."

Labour frisked at the boardroom door

The opposition party finds old alliances a tough obstacle

The opposition Labour party has spent much of the past 12 months weakening its traditional links with the trade unions and making friendly approaches to the business community, a traditional ally of the governing Conservative party.

But the jettisoning by the party of long-standing alliances and attitudes has not been enough to detach many leading business figures from traditional allegiances.

Mr Jonathan Charkham, a Labour-voting director of Great Universal Stores, said, for example, that it was not easy supporting the opposition party in the boardroom – it still took courage to reveal a liking for Labour. "People get cross and say it's not quite the right thing to do."

In spite of the charm offensive by Mr Tony Blair, the Labour leader, British business remains overwhelmingly Conservative. The recent publicity generated by donations to Labour from Mr Matthew Harding, the City financier, and other business people highlights [illegible]at these are the exceptions [illegible]he rule.

[illegible]r countries do things [illegible]tly. As Mr Harding pointed out after he pledged his £1m ($1.56): "In the US you can be fabulously wealthy and a Democrat and nobody bats an eyelid." In France and Germany too, allegiances are fairly widely spread.

But in the UK, loyalty to the Conservatives is ingrained in boardrooms, due both to historic ties of class and to more recent memories of the policy divides between the Tories and Labour in the 1970s and 1980s.

In public, Conservative-supporting business leaders deny that any pressure is applied on Labour-inclined colleagues. "It's a judgment for individuals and companies which party to support," said Sir Nigel Mobbs, chairman of Slough Estates, the property group, and a fundraiser for the Conservative party.

But in private, other Tory company directors admitted that support for Labour was seen as disloyal. As one City fund manager put it: "It's a matter of loyalty, not logic."

However, the strong chance of a change of government is forcing business people to change their behaviour, if not their attitudes.

Mr Tony Blair (left), leader of the opposition Labour party, told a City of London audience last night that the key to increasing living standards lay in improved corporate profitability and productivity, our Political Staff writes.

Mr Blair said the perception of Labour as a "bunch of killjoys" could not be further from the truth.

"We want people to consume more. We want high quality public services. We want people to pay lower taxes. But we want this for all our people, not simply a few at the top and we want it on a sustainable basis," Mr Blair said.

Photograph: Tony Andrews

Mr Gerald Frankel, chairman of Industry Forum, a Labour-business contact group, said that when he launched the Forum immediately after the 1992 election he had barely 30 members. Today he has 225, mainly corporate affairs directors of large companies and trade associations. "People were shy in the past, but not any more. Now there's a feeling there will be a Labour government."

Labour is aware most of the business people its leaders meet will still vote Tory but it needs to build relationships. Mr Geoff Hoon, a member of the party's trade and industry team and supervisor of links with business, said: "I realise many people see contacts with Labour as an insurance policy. That's fine. We need to talk to them and they need to talk to us."

Mr Hoon thinks there is sympathy among business leaders for Labour's policies. This rapport makes it much easier to build relationships, even with those who continue to support the Conservative party.

Mr Frankel believes such links are turning some business people into enthusiastic Labour voters. But the polls indicate only modest progress. A survey this month by the Institute of Management, which has 70,000 members, showed support for Labour at 25 per cent. This is double the figure for 1992, but still well behind the 43 per cent that back the Conservatives.

And the business world's biggest guns remain predominantly Tory. "I would view a Labour government with considerable concern," said Sir Colin Hope, chairman of the T&N engineering group. "The Conservatives have been accident-prone but their basic economic policies have been good."

Stefan Wagstyl

Airport group to fund £70m rail link

By Charles Batchelor, Transport Correspondent

BAA, the privatised group which runs Heathrow and London's other main airports, is to fund most of the £70m ($110m) cost of extending London Underground's Piccadilly line to the new Terminal 5 at Heathrow, it emerged yesterday.

The project will be put out to tender as part of the government's private finance initiative which raises finance for infrastructure schemes traditionally carried out in the public sector.

The airports group, which has been taking a growing interest in the development of road and rail links to Heathrow, plans to recoup the cost of the construction from fares, although it will not take over the running of Underground services.

BAA will finance the Underground link because London Underground's finances are being concentrated on modernising its outdated network.

The airports company is already involved in constructing a £300m express overground rail link between Heathrow and London Paddington station. BAA will operate these trains which will provide a 16-minute journey into the capital compared with the slower but cheaper service run by London Underground.

BAA plans to announce details of its proposals for improved links with the airport tomorrow. These proposals will form part of the company's evidence to the public inquiry hearing objections to plans for Terminal 5.

London Underground said it had been holding discussions with BAA "in the context of the government's private finance initiative. We believe we are close to concluding a deal".

If the government gives the go-ahead for the £1bn project it will increase Heathrow's capacity from 55m passengers a year to 85m.

UK NEWS DIGEST

Lloyd's wins over US state

Lloyd's of London signed an accord with the State of Illinois at the weekend – leaving only two US states – Arizona and Missouri – with resident investors in the insurance market outside a special agreement to "top up" the £3.2bn ($4.99bn) settlement open to Names – individuals whose assets have traditionally supported the insurance market. Last week Utah, Tennessee, Arkansas, New Hampshire and West Virginia also joined. More than 75 per cent of US Names have now accepted the insurance market's offer. Worldwide nearly 95 per cent have joined the settlement in return for surrendering rights to litigate. The settlement also helps to cover losses and the cost to Names of setting up Equitas, a reinsurance company which is taking responsibility for billions of pounds of liabilities. *Jim Kelly*

■ SECURITIES REGULATION

Global co-operation 'reduces risk'

Greater co-operation between international securities regulators has reduced the risk of systemic disruption to financial markets, a report published yesterday concluded. The report by the Securities and Investments Board (SIB), the City of London watchdog, and the Commodity Futures Trading Commission of the US details measures taken by futures market regulators since the Barings crisis in February last year.

Regulators, which agreed to step up co-operation following a meeting in May 1995, are now sharing more information on the exposures of traders on the markets and have increased the transparency of their dealings. Emergency procedures have also been improved. *Richard Lapper*

■ STOCK EXCHANGE

Company news service updated

A new electronic service which will speed up the process of transmitting company announcements to the London Stock Exchange came into operation yesterday. Over the next few months, every UK and overseas-listed company will receive a software package which can prepare and transmit announcements electronically to the exchange's regulatory news service. Currently more than 70 per cent of companies send their announcements to the exchange's news service by fax or hard copy. This has to be re-keyed and validated before it can be transmitted.

The first group of companies begin using the new system – the Direct Input Provider (DIP) – today.

Up to 3,000 announcements are made every week. The software and modem required to connect to DIP is provided free by the exchange. If a company uses an agent to send all regulatory announcements then it can nominate the agent to receive the new equipment and software. *Martin MacConnol*

■ MEDIA INDUSTRY

EU rules overhaul urged

KPMG, the consultancy group, yesterday called for a radical overhaul of European media regulation in the face of a rapid convergence of the audiovisual and telecommunications industries. The group argued in front of an audience of 250 in Brussels that current policies are likely to stifle innovation. *Raymond Snoddy*

TECHNOLOGY

BEHIND THE NET

The unstoppable growth of the Internet is forcing consumer online services to abandon their proprietary technology and adopt open Internet standards.

Although the term online is used synonymously with the Internet, a range of consumer online services has been available to the public for more than 25 years. Unlike the Internet, which uses open standards built around a number of networking protocols, these services operate on proprietary platforms.

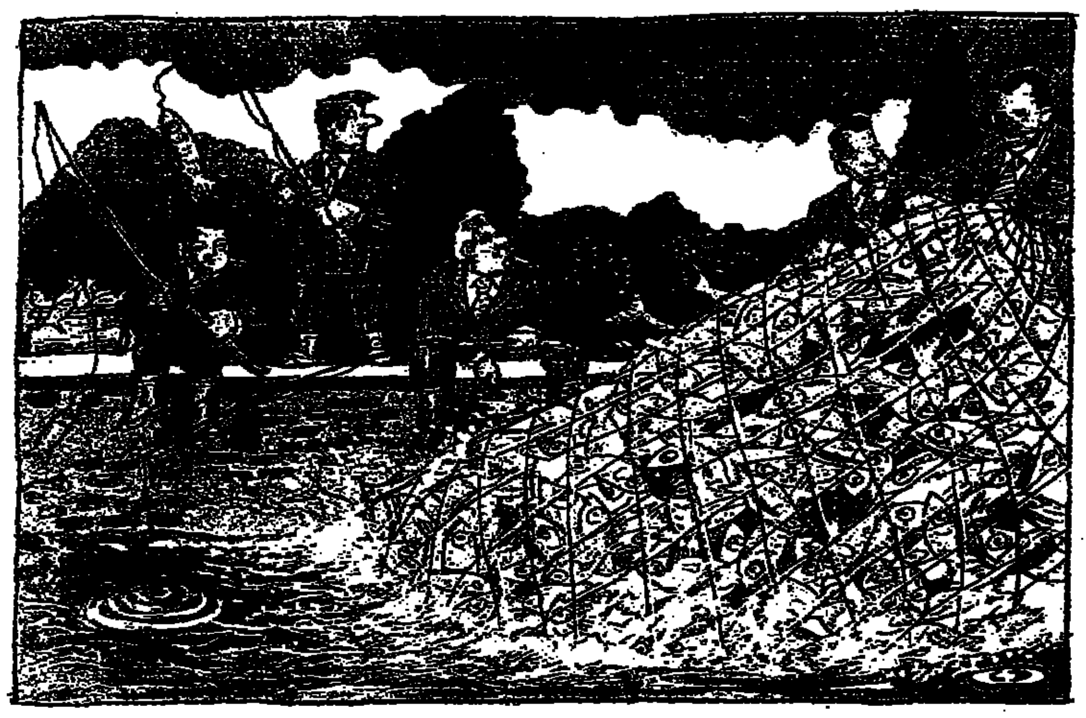
Leading international players include CompuServe, which was launched in 1969 and has 3.4m users, and America Online (AOL) – which operates in Europe through a 50/50 joint venture with Bertelsmann, the German publisher. Launched in 1985, AOL is now the world's largest commercial online service, with 6.2m users globally. Last August Microsoft also entered the fray, launching the Microsoft Network (MSN). This has 1.5m users.

While these services have introduced varying degrees of access to the Internet, they have until now retained their branded proprietary platforms. As such, moving between the services and the Internet is clumsy and slow.

They also look and feel very different from the Internet. In particular, they do not exploit Hypertext Markup Language (HTML), the programming heart of the World Wide Web. HTML allows pages of information and multimedia components such as images and sound to be linked together – and its user-friendly approach and easy navigation is primarily responsible for the popularity of the Internet.

Recently, however, several online providers have unveiled plans to transform their services into fully-fledged Internet services. MSN – which was designed as a proprietary online platform in the mould of CompuServe and AOL – was launched last August. Shortly after, however, Microsoft did a volte-face and announced it would re-engineer the service around open Internet standards.

In May CompuServe followed suit, unveiling plans to port its service to a new Web-based architecture. Code-named Red Dog, the project will see the entire contents of CompuServe – currently held in a mix of formats, including CompuServe's proprietary Host Micro Interface (HMI) format and Ascii – translated into HTML, thus enabling users to access it with Web browsers like Netscape's Navigator and Microsoft's Internet Explorer.



Net gains

Online providers are transforming their services in favour of the Internet, says **Richard Poynder**

Why the sudden rush to the Internet? "Because, depending on who you believe, there are already 60m or 70m users of the Internet," says Netscape's UK managing director, Paul Ayres. "As such it represents a tremendous market opportunity for consumer online services."

There are also strong commercial reasons. As Alan Lawson, CompuServe's UK marketing communications director, points out: the breakneck speed with which online technology is developing and the vast efforts being focused on developing applications for the Internet mean that the "cost of ownership" required for proprietary services to compete is becoming prohibitive.

"The development going into Web-based protocols and languages is phenomenal," he says. "As big as we are we cannot keep up."

Adopting Internet standards also means that CompuServe will be able to reduce its product development time by 75 per cent, adds Matthew Greenslade, CompuServe's UK media relations co-ordinator. "This means being able to get new products to market in two months rather than six," says Greenslade. "It also means that for the first time we will be able to build images, sound and video into our service."

Judy Gibbons, UK director of MSN, suggests that there is an even more compelling reason. "Our initial business model for MSN was to create an end-to-end managed service on a proprietary platform and offer lots of content by signing up content partners.

"Then the Internet happened, and suddenly our content partners – who wanted to establish their own Internet presence – said: 'Why should we want to be on MSN and the Internet?' Overnight the value proposition of distributing someone else's content evaporated."

Migrating to the Internet is a time-consuming process. CompuServe estimates it will take 12 months to complete. "Effectively we will have to translate the service from one language to another," says Andrew Carver, MD of CompuServe's European Network Services.

As a relatively new service MSN has less content to re-configure. Nonetheless, to make the transition Microsoft has had to develop an entirely new software platform called Normandy, which has been designed around Internet standards.

With their main role as information distributors threatened consumer services are seeking a new *raison d'être* on the Internet. CompuServe is pinning its hopes on becoming what Lawson calls a "signpost" organisation.

"We'll let other people develop the content. Our role will be that of a facilitator," he explains. "For users we'll provide a comfortable environment and help in finding the information they need. For publishers and developers we'll offer access to our 3.4m users."

AOL remains the only leading consumer online service still committed to maintaining a proprietary platform – although it does offers access to the Internet. Jonathan Bulkeley, managing director of AOL UK, is sceptical about the benefits of migrating.

In particular, he argues, the Internet infrastructure cannot yet offer the much-vaunted multimedia services efficiently.

This article appears in a series on the Internet – the last article appeared on September 5.

Viewpoint · Duncan Bayne

A free ride for pay-TV fraudsters

The potential of subscription and "pay-per-view" television to generate large revenues is widely recognised. But there are flaws in the technology, particularly that involving satellites, which are not known about. Analysts have made a simple error in their understanding of encryption technology – they have incorrectly assumed that the encryption methods used in finance, by the military, in espionage and so on, can be used for pay-television with the same level of security.

With intercepted coded communication, for the code-breaker to work out the decoded material, he must "crack" the encryption process. This process can be so complex that cracking it is impossible.

With encrypted television, broadcasting code-breakers have access to the coded material and with this alone they would struggle to break the code. But they also have access to the *decoded* material *and* the decoding machine. With all three elements, it can never be made impossible, or even particularly difficult, for amateur code-breakers to crack the encryption process – the Germans' second world war Enigma machine would have been cracked within hours.

With pay-television broadcast by satellite, a scrambled signal is transmitted. To unscramble the signal, viewers need to buy a decoder from the television company. Decoders also receive computer data from the satellite. The data can include instructions to individual decoders to stop them working. Viewers can only watch a programme if they pay for it; if not their decoders are disabled.

However, it is possible to bypass this process, and watch pay-television for free. This is called "free-riding". The minimum requirements for free-riding would be a satellite dish and receiver, and a personal computer, fitted with some extra hardware.

All this equipment is generic technology – it has many legitimate uses, and its legal sale would be impossible to prohibit. The computer runs a program that emulates the way in which legitimate decoders work. The computer pretends to be a decoder and it unscrambles the signal.

It is unlikely that a decoder emulator program could be sold legally. Nevertheless, the risk exists that if only one home-made program becomes available, its spread on the Internet would be uncontrollable.

The ease with which free-riders can then unscramble satellite broadcasts depends on the foresight the designers had when they designed the decoders. At one extreme, if the decoders were badly designed, one emulator program could decode every broadcast, for permanent free-viewing. To prevent this, television companies or viewers would have to bear the costs of replacing all of the obsolete decoders.

The minimum requirements for free-riding would be a satellite dish and receiver, and a personal computer, fitted with some extra hardware

At the other extreme, where designers had a high degree of foresight and the decoders are of a good design, free-riders would have to update their computers frequently with new information whenever the decoding process changes.

Although highly sophisticated encryption methods can be used, there will always be four fundamental flaws in restricting satellite broadcasting to paying customers only:

- A decoder receives an input (the scrambled television pictures) and produces an output (the unscrambled pictures). Whatever decoders do, adapted computers will always be able to replicate their operation: it is the same technology, both just manipulate the flow of electricity.
- Every decoder receives the same scrambled signal, and produces the same unscrambled signal. There can only ever be one way of unscrambling a broadcast (the "master-code") and, however complex encryption becomes, the master-code is the only information required.
- It is impossible to stop computer enthusiasts buying decoders, tinkering with them, and writing and distributing computer programs and data; most will do this purely for the challenge.
- It is impossible to stop anyone with a satellite dish receiving transmissions they have not paid for and putting this signal through a computer. This is because a satellite cannot distinguish between the dishes of paying and non-paying customers.

These flaws are the same with ground-based transmitters broadcasting pay-TV and risks of free-riding are the same.

With cable television, there are two varieties. First, older (and cheaper) cable networks work in a similar way to satellite broadcasting – every home receives the same signal, and viewers must use decoders. Free-riding can only be prevented by updating the cable network.

With more advanced (and expensive) cable networks, people only receive a television signal if they have paid for it. If they do not pay, they do not receive any signal whatsoever. A decoder-emulator program cannot work because there is no scrambled signal with which to decode. Only with this second "advanced" method of cable transmission is free-riding impossible.

Duncan Bayne is a post-graduate economist at St Andrews University, Scotland.

INTERNATIONAL PEOPLE

Vucins heads telecoms group

Viesturs Vucins (left) can perhaps claim more experience of running global supercarriers – telephone operators with world-wide reach and capacity – than any other individual.

A founder and former president of Unisource, the strategic alliance between the Dutch, Spanish, Swedish and Swiss telecoms operators, he has now been appointed president and chief executive of Global One, the strategic alliance between Deutsche Telekom, France Télécom and Sprint of the US.

Global One began operations in early 1996 after winning conditional approvals from competition authorities in the US and Europe.

Vucins, 50, was born in Kalmar, Sweden, and educated at Stockholm's technical high school and Stockholm University. He has spent his entire career in the telecoms business and helped set up three companies from scratch: Ericsson Fibre Optics, Swedish Telekom International and Unisource – now part of the World-Partners alliance, led by AT&T.

He shrugs off the regulatory conditions set by Brussels and the US authorities, which will handicap Global One until the German and French markets are fully liberalised in 1998: "It is just something we have to live with." *Alan Cane*

Shirrefs tunnels out

Richard Shirrefs, formerly finance director of Catteau, Tesco's French subsidiary, has been appointed the new finance director of Eurotunnel, the channel tunnel group, from November 1.

Aged 41, Shirrefs has the perfect Anglo-French credentials for the job, having worked in France for the past 17 years for El Paso Natural Gas and Bendix Europe, as well as Tesco. His new job will be based in Calais, where he will report to Georges-Christian Chazot, Eurotunnel's group managing director.

Although finance supremo, Shirrefs will avoid the hot seat in Eurotunnel's negotiations with its creditor banks over a rescheduling package. That pleasure will remain with Michael Grant, the company's London-based group treasurer, who has been with Eurotunnel since 1987.

Grant will continue to look after Eurotunnel's discussions with the steering group representing its banking syndicate. He will also supervise all the preparations to obtain approval from the syndicate and shareholders for whatever deal is eventually hammered out.

However, Eurotunnel expects to integrate the finance and treasury functions thereafter, probably next year. *Haig Simonian*

Beyer joins VLSI

Richard Beyer has joined VLSI Technology, a Silicon Valley semiconductor manufacturer, as president and chief operating officer.

Formerly one of three chief operating officers at National Semiconductor, another California chipmaker, Beyer resigned his position in June, following the appointment of a new chief executive, Brian Halla, formerly of LSI Logic, at National.

Beyer's departure from National was prompted by the unexpected resignation of Gilbert Amelio, formerly National's chief executive, who took up the role of chairman and chief executive of Apple Computer in February. At the time, Beyer, 44, said he wanted to run his own shop. At VLSI Technology he will certainly have an opportunity to do so. *Louise Kehoe*

Credit Suisse moves

Credit Suisse, which two months ago began a major restructuring of its business, has announced more than 30 appointments to its top management team – though it has yet to fill two key corporate positions, the posts of chief financial officer and chief risk officer.

Several senior executives, including Hans Peter Sorg, who was in charge of private banking, and Victor Erne, responsible for human resources, are taking early retirement.

Alfred Gremli moves to the corporate and investment banking side of Credit Suisse First Boston, as does Franz von Meyenburg. The group had already announced the heads of its four new business divisions – Credit Suisse Volksbank, Credit Suisse Private Banking, Credit Suisse Asset Management and Credit Suisse First Boston – and the latest appointments are to the managements of these business units.

In Swiss domestic business, Martin Wetter takes charge of Swiss corporates and Beat Fenner has been put in charge of Zurich.

Hans Ueli Keller, who had been responsible for Swiss retail banking, takes over corporate services, and Hanspeter Kurzmeyer, formerly responsible for business in Berne, Solothurn and Upper Valais, take charge of direct banking.

Aldo Leoni becomes chief financial officer of the private banking division and Walter Knabenhans, a senior executive with Credit Suisse Financial Products in London, has been given responsibility for finance, treasury, and credits in the same area.

Heinrich Wegmann, head of Credit Suisse's Japanese operations, returns to Switzerland to be chief executive (Switzerland) of the institutional asset management operation. *William Hall*

Zellers: new head

Zellers, one of Canada's larger national discount merchandisers, has hired Millard Barron, 47, away from rival Wal-Mart Canada, to be its new president.

Barron will also become executive vice-president of the parent Hudson's Bay, Canada's biggest retailer.

He was 20 years with Hill's Department Stores in the US before becoming chief operating officer of Wal-Mart International in Bentonville, Arkansas. He helped to set up Wal-Mart in Canada two years ago, following acquisition of the Woolco discount chain.

He follows Paul Walters in the top spot at the 300-store Zellers chain. Walters left Zellers last March after operating profits dropped sharply because of price wars with Wal-Mart Canada and Kmart Canada.

Barron's top priorities are to make Zellers distribution more efficient and to improve customer service. Zellers has about 50 per cent of the Canadian discount market and Wal-Mart Canada 44 per cent. *Robert Gibbens*

ON THE MOVE

■ Marshall Cohen has handed over to Norman Seagram as president and chief executive of MOLSON COMPANIES, the Canadian brewing, hardware retailing and entertainment group, as announced earlier this year.

■ Gareth Chang of Hughes Electronics joins the board of APPLE COMPUTER.

■ David Chen has joined EATON CORPORATION, the US manufacturer of vehicle components and electrical equipment, as Shanghai-based president of the company's China operations. Chen, who will report to Laurence Iwan, Eaton vice-president Asia/Pacific, was previously chief representative for China for BOC of the UK.

■ Desmond Lachman has been appointed to the new position of global co-ordinator for emerging market economic research at SALOMON BROTHERS, based in New York. Lachman, the former deputy director of the IMF's policy development and review department, will be responsible for formulating the firm's strategic view of emerging market developments. He is the highest-ranking IMF official to have moved to a private sector position.

■ Joseph Norberg, chief financial officer of AST RESEARCH, US maker of personal computers, has left the company to pursue other business interests. Won Suk Yang, senior executive managing director of Samsung Electronics, the South Korean electronics group which recently took a controlling stake in the company, will stand in as chief financial officer until a replacement is found.

■ Jack Kemp has resigned his seat on the board of ORACLE, the US software giant, following his nomination as the Republican Party vice presidential candidate.

■ Jerre Stead has resigned from the board of R.R. DONNELLY & Sons, a fast growing US information delivery group, following his appointment as chairman and chief executive of Ingram Micro Inc.

■ Bruce Miller takes the newly created position of director of marketing communications at LEAR CORPORATION. He was previously with Ross Roy Communications.

■ Adam Bennett, previously chairman of Creditanstalt Securities in Prague, moves to Vienna as managing director of CREDITANSTALT INVESTMENT BANK, where his responsibilities will cover corporate finance and mergers and acquisitions in central and eastern Europe.

■ Hans-Juergen Schnell becomes managing director of DAIMLER-BENZ Asia. He was previously senior executive of mergers and acquisitions at Debis, the services unit of the Daimler-Benz group.

■ Stephan Guerin joins ICO, one of the handful of companies aiming to establish a worldwide mobile satellite communications system, as senior vice-president and general counsel. He was previously with Alcatel Alsthom.

■ Fredric Sapirstein joins HOENIG GROUP, the US financial services company, from Bear Stearns, as chairman, chief executive and president. He replaces Joseph D'Andrea who served as interim chairman following the death of Ronald Hoenig, the group's chairman and founder. D'Andrea, 71, will remain a director and vice-president in charge of business development.

■ Eric Beard rises to president for worldwide renal dialysis business at BAXTER INTERNATIONAL, the US healthcare company.

■ Pam van der Lee has been named to the new post of vice-president, marketing, at VIACOM, the US entertainment giant, with responsibility for divisional marketing efforts.

■ Ronald Rittenmeyer has resigned as president and chief operating officer of MERISEL Inc, the computer distributor, following sale of its $1.5bn-turnover business in Europe, Mexico and Latin America. Dwight Steffensen, chairman and chief executive, assumes Rettenmeyer's duties from October 1.

■ Herbert Ampferer, 46, has been confirmed as motorsport director of PORSCHE, a position he has held on a temporary basis since January 1995.

■ Fred Glantz has joined ASG USA (the US arm of the Swedish transport group) as executive vice-president responsible for the company's worldwide sales and operations. Glantz was formerly president of Wilson UTC in the USA.

■ Michael Nylin moves to Zurich as vice-president, planning with GENERAL MOTORS international operations. He was previously special assistant to the president of Isuzu Motors in Tokyo, and succeeds Scott Mackie who was recently appointed managing director of GM Poland.

■ Tim McNamar, former deputy secretary of the US Treasury during the Reagan administration, becomes vice-chairman of AVIC GROUP INTERNATIONAL, part of Aviation Industries of China.

■ Dennis McEvoy has resigned as president of SYBASE, the US software group, from September 16, to become executive vice-president of products and services at Verity Corporation. David Litwak adds McEvoy's enterprise business group to his existing responsibilities for the powersoft business group.

■ Britton Murdoch has resigned as chief financial officer of AIRGAS, the North American gas distributor, due to prolonged illness in his family.

■ Charles Sanders, retired chairman and chief executive officer of Glaxo Inc has been appointed one of three new non-executive directors of MAGAININ PHARMACEUTICALS.

International appointments

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AUCTIONS

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OFFICE FURNITURE

BUSINESSES WANTED

OFFICE EQUIPMENT

LEGAL NOTICES

MAXWELL COMMUNICATION CORPORATION PLC
(IN ADMINISTRATION)
Scheme of Arrangement
Plan of Reorganization
DM 150,000,000 6% bonds of 1988/1993
ECU 75,000,000 8⅞% bonds of 1988/1993
SFr 150,000,000 5% bonds of 1988/1995

NOTICE IS HEREBY GIVEN that, the fifth distribution under the Scheme and the Plan will be paid on 24 September 1996.

Holders of Distribution Certificates relating to the above bonds should present Distribution Coupon No 5 to their own bank, or any branch of the relevant agent bank or at the relevant address set out below in order to receive the fifth distribution.

Failure to present the relevant Distribution Coupon for payment within one year from 24 September 1996 will result in that Distribution Coupon becoming void, with the result that the holder of that Distribution Coupon will thereafter not be entitled to receive any distribution in respect thereof.

Agent Bank for the ECU and DM Bonds	Agent Bank for the Swiss Franc Bonds
Bayerische Vereinsbank AG	Swiss Volksbank
Am Tucherpark 12	PO Box 631
80511 Munchen	Bahnhofstrasse 53
Federal Republic of Germany	CH-8021 Zurich
	Switzerland
Attention ZGA 63	Attention LWV 40

Dated 17 September 1996

AM Homan,
ARD Jamieson
JGA Phillips
CG Bird

Administrators of Maxwell Communication Corporation plc

CONTRACTS & TENDERS

INB INDUSTRIAS NUCLEARES DO BRASIL S.A.

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Bids should be delivered to the INB headquarters at the address mentioned above not later than October 17th, 1996 at 3:00 p.m., when all "Qualification Data" envelopes received will be opened.

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Principal features of the business include:

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For further information, please contact David Wilson or Rob Lowrance of Coopers & Lybrand, Albion Court, 5 Albion Place, Leeds LS1 6JP.
Tel: 0113 243 1343. Fax: 0113 243 4567.

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CONTRACTS & TENDERS

UKRAINE
ELECTRICITY MARKET DEVELOPMENT PROJECT

The Government of Ukraine has applied for a loan from the World Bank in various currencies toward the cost of the Electricity Market Development Project. It is intended that part of the proceeds of this loan will be applied to eligible payments under the contracts for the supply of about 2.6 million tonnes of coal and about 0.6 million tons of mazut (fuel oil) to increase fuel inventories for 14 power stations within the four generating companies (GENCOs) - Dniproenergo, Donbassenergo, Tsentrenergo, and Zakhidenergo.

The Government of Ukraine (through the Ministry of Energy and Electrification - Minenergo) and the GENCOs now invite sealed bids from eligible bidders for the supply of coal and/or Mazut for the power stations. Interested eligible bidders may obtain further information from and inspect the bidding documents at the office of Minenergo (address below). Complete sets of bidding documents may be purchased by interested bidders on the submission of a written application to the address below and upon payment of a non-refundable fee of US $250.

The instructions to bidders and general conditions of contract contained in the bidding documents are based upon the *World Bank Standard Bidding Documents : Procurement of Commodities.*

All bids must be accompanied by a bid security of US$0.5 equivalent for one tonne of coal, and US$1 equivalent for one tonne of mazut offered. The form of security shall be in accordance with the provisions of the instructions to bidders. Bids must be delivered to the address which will be specified in bidding documents, at or before 10:00 hours on October 16, 1996. Bids will be opened in the presence of bidders' representative who choose to attend on October 16, 1996 at 10:30 hours at the same address where bids are to be delivered.

Ministry of Energy and Electrification of Ukraine
Attn: Mr. Anatoly Shevchuk
30 Kreshatik Street
Kiev, Ukraine 252001
Tel: (380-44) 224-8225
Fax: (380-44) 224-4021

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Facsimile 0171 489 6291

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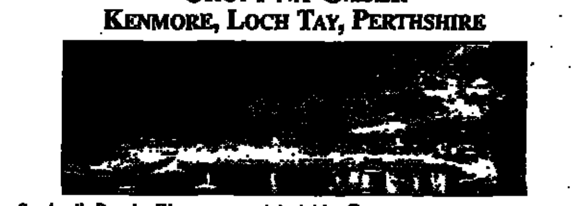

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Office of Public Service

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Interested parties are invited to register their interest in writing by 1.00pm on Monday 30 September 1996 with HM Government's financial advisers, Binder Hamlyn, at the following address:

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Binder Hamlyn
20 Old Bailey, London EC4M 7BH
Facsimile 0171 489 6291

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AUCTION NOTICE

The Commissary Francesco Corrado advises that the Company Breda Energia, located in Milan, Viale Sarca 336, a leading manufacturer and supplier of Wellhead and Pipeline Equipment for the oil, gas and petrochemical related industries, is to be sold by Auction as a "going concern".

The Company assets consist of:

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   Goodwill.
2) The current debts and credits and any ongoing leasing contracts will be excluded from the sale.
3) Sealed bids are to be made officially and deposited at the offices of:
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   Corso Unità d'Italia 14
   22063 Cantù CO
   Italy
   by 6.00 pm (Italian time) on 23rd September 1996
4) Offers to include:
   4.1 A registered cheque (with 60 days validity) for 10% of the offered price - made payable to the account of Breda Energia S.p.A. in L.c.a.
   4.2 Proposed price and method of payment. Payment by installments would be considered up to 75% of the proposed price and for up to 24 months. In such a case the part of the price which is not paid immediately will incur an annual rate of interest of 10% and should be covered by a bank guarantee.
   4.3 Agreement to the Company's current trading terms and conditions.
   4.4 A declared commitment to employ a workforce of 110 people, twenty people with immediate effect, balance by a "Mobilità" process within 23 months of transfer of ownership, and to maintain said employment level for a minimum of three years.
5) Bid opening will take place on 24th September 1996 at 10.00 am (Italian time) at the offices of the above mentioned notary.
6) The Company assets are to be sold in their entirety in an "As-Is" condition as a "going concern".
7) All legal and transfer expenses involved in the sale are to be borne by the successful bidders.
8) The adjudication of the tender is subject to the authorisation of the control committee within 60 days from bid opening.
9) The transfer notary act will be stipulated by the public notary Manfredi within thirty days from final adjudication.

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ARTS

A cult for Chinese furniture

Susan Moore on the controversial sect behind Christie's New York sale on Thursday

Leaders of esoteric sects are usually thought to have a penchant for apocalyptic predictions and expensive motor cars and for exploiting – sexually and financially – their brainwashed acolytes. They are not generally known for amassing museum-quality art collections, cultivating award-winning dessert wines or staging productions of Sophocles.

But Robert Burton, who founded Renaissance, a community in the remote and unpromisingly scrubby foothills of the Sierra Nevada, appears to be no ordinary esoteric guru. Burton, a former Bay Area elementary school teacher, founded the Fellowship of Friends in 1970. It is a non-proselytising, publicity-shy sect and its spiritual or philosophical system is difficult to determine, but Burton is known to have steeped himself in the writing of the Russian-Armenian mystic G.I. Gurdjieff and his disciple Peter Ouspensky, whose works have shaped the modern human potential movement.

Gurdjieff and Ouspensky maintained that man needs to keep focused on his higher goals, spiritual and cultural, to awaken his true consciousness. For Burton, this involves concerning himself with music and the arts, good food and wine at Renaissance, one and a half hours north of Sacramento.

The fellowship's members – reputedly some 1,500 worldwide – are predominantly affluent and middle-class. They pay a "tithe" of 10 per cent of their incomes and are "awakened" by working in the fellowship's 365-acres of terraced vineyards, its gardens and its wood, print and auto shops. In their spare time they study art and literature in the libraries of Renaissance's Goethe Academy – a mock French château surrounded by formal gardens designed and built, of course, by fellowship members.

Some 30 full-time residents are housed in the Court of the Caravans – 25 sun-dazzled aluminium Airstream trailers. Another 250-300 members live off-site locally. Burton's Renaissance home is a 3,000 sq ft house designed by Aaron Green, a disciple of Frank Lloyd Wright, and built for the guru by the fellowship.

In the late 1970s Burton began collecting Old Master paintings, ranging from a 15th-century *cassone* or marriage-chest panel by the Florentine Jacopo de Sellajo to still-lifes by Osias Beert the Elder and, possibly, Caravaggio. Then, in Paris in 1988, he saw two typically spare, minimalist Qing-period Chinese armchairs in the Ming style and the direction of the fellowship's collecting changed in a revelatory flash.

"I immediately recognised that this furniture was second to none," he said. "Both in its serene beauty and its intelligent design, which combine to evoke a contemplative state of mind in those who behold it."

At the height of the market the Old Masters were sold off at significant profit – a pair of 17th-century biblical scenes by Bernardo Cavallino fetched almost $2m at Sotheby's New York in 1989. Dispersed, too, was the collection of Chinese ceramics. With the proceeds, Burton began to acquire 17th and 18th-century Chinese classical furniture. "It was", says London-based Chinese furniture dealer Nicholas Grindley, "a very good time to buy."

Burton bought heavily from Damon Spilios, of Florida dealers Ming Furniture, who certainly believed that classical Chinese furniture was undervalued. Burton also made significant purchases from Hong Kong dealers Grace Wu Bruce and Chan Shang Kee.

As with anyone building a collection on whim with little or no knowledge, mistakes were made. The initial group of 300 or so pieces was gradually refined down to just over 100. Curtis Evarts rose through the ranks of fellowship members to became its self-taught curator.

Grindley now rates Evarts "as good a judge of Chinese furniture as anyone in the world." In less than a decade the collection established itself as the world's pre-eminent holding, public or private, now known as the Museum of Classical Chinese Furniture and housed in the Goethe Academy and Burton's house, and open to the public by appointment.

Burton's intention was to construct a purpose-built museum on site and he commissioned designs from a leading Beijing architect. It seems that he failed to raise the funds. Last year the collection went on show for nine months at the Pacific Heritage Museum in San Francisco.

There were also rumours that it was for sale – at a reputed initial asking price of $25m. A number of people tried to negotiate its purchase either whole or piecemeal. Instead it was sent to Christie's New York, its consignor not the Fellowship of Friends but Johnny Chen, scion of an established Taiwanese family who is based partly on the West Coast.

Robert Burton is now said to be interested in moving into 19th-century French Salon painting and antiquities, and to be concentrating the fellowship's resources on its wine production, which has already absorbed about $10m of funds. There were also allegations that some members had withdrawn payment of their tithes.

A whiff of sensation follows the furniture to Christie's on Thursday. What makes the auction so exceptional is not only the quality and rarity of the top lots and the near encyclopaedic range of the collection but the fact that the market for Chinese furniture has hitherto been dominated by some half-dozen dealers worldwide. Rather like Chinese antiquities, relatively few pieces come to the west with any provenance.

If the collection is sold on its published estimates, and raises $6m-$8m, the pieces will probably be sold for less than the fellowship paid for them. The scenario, as anticipated by auction house and dealers is that a whole new price structure for classical Chinese furniture will be established, with auction records broken as much as seven or eight times over.

The current auction record for a piece comparable to anything in this collection is for a *huanghuali* folding horseshoe chair which fetched $176,000 at Sotheby's New York in 1990; the Christie's chair is rarer and finer, and comes with an estimate of $300,000-$400,000. The auction record for any piece, set at Christie's Hong Kong in 1992, is $250,000. If the sale is a success, private individuals and the trade might well start consigning important pieces to the auction-houses.

No doubt the eight or nine exceptional lots will go to established collectors, primarily in the US and the Far East – and go way over estimate, not least because the supply of good pieces seems to be drying up. As one dealer put it: "One would have to say to a client: 'this is your one and only chance. Bid till you run out of courage.' The majority of pieces, however, will probably be bought by people who we have never seen before and will never see again."

Intimate moments are the most successful, steering clear of melodrama as Violetta (Rosa Mannion) is allowed to die quietly in bed Alastair Muir

A tepid Traviata

Andrew Clark reviews Jonathan Miller's new production

Well, it would make a great radio broadcast – perhaps with an interval talk by Jonathan Miller thrown in for good measure. Opening its 1996-7 season with *La traviata*, English National Opera delivers a performance as musically poised as you may find today.

In Rosa Mannion and John Hudson, we can enjoy the sound of a Violetta and Alfredo who knock spots off most of their international counterparts. And the American conductor Steven Mercurio, in his British debut, brings a velvet touch to the score, without letting it dissolve into sentiment.

So why is this *Traviata* so dull and unmoving? Step forward the same Jonathan Miller, who serves up a staging in theatrical no-man's-land – stylistically imprecise, visually bland and dramatically shapeless. This does not imply a lack of ideas. Indeed, in a programme interview with the late Nicholas John, ENO's much-lamented dramaturge, Miller comes up with all sorts of oddball perspectives on the social conditions of mid-19th century Paris, "the romantic character of tuberculosis" and the likelihood that Germont *père*, the repressed bourgeois moraliser, secretly fancied his son's promiscuous lover.

Sadly, the thoughts of Miller the anthropologist and medic are of little help to Miller the theatrical practitioner – perhaps because on this occasion he is reheating ideas hatched at an earlier attempt at Glimmerglass. ENO's publicity left us in no doubt that the production's starting point would be the heaving social tumult of Second Empire Paris. But period authenticity is no substitute for emotional truthfulness. Despite the carefully-observed detail of Clare Mitchell's party frocks, this production is neither authentic nor truthful.

Bernard Culshaw's DIY set is bathed in a rinse of Nordic blue, its Habitat curtains and basket furniture more appropriate to an Ibsen drama than the Paris witnessed by Dumas *fils* and Verdi. Opulence, glamour and gaiety are absent from the party scenes, which could do with a good swig of champagne (copious bottles of which lie stubbornly corked in the opening act); and Miller makes no attempt to define the *demi-monde*. The intimate encounters are more successful – particularly the finale, which steers clear of melodrama by allowing Violetta to die quietly in bed.

A prima donna with looks, soul and stage presence – the three qualities demanded by Verdi for his heroine – would have transcended her surroundings and sent us home in tears. Mannion falls short on all three counts. She has the slightness of figure, but her doll-like expression does not give the audience much to grasp, and she is hampered by what looks like a waiter's outfit in Act 1 and a petticoat dress in the country idyll of Act 2. More seriously, the emotional temperature of her performance is too tepid to suggest Violetta's vulnerability; her declarations of love simply do not ring true.

As for the right voice, a quality Verdi took for granted, Mannion has it in spades. With a timbre that is bright, clear and flexible, she shapes the Act 1 *fioriture* with graceful fluency, and has the power and musicianship for the big encounters of Act 2. If another director can make her less inhibited, the role will be hers wherever she chooses. Hudson's Alfredo may look a touch ingénu in the opening scene, but his performance comes fully-formed. He is both masculine and impressionable, and conveys real passion in the Act 2 dénouement. The voice, lusty, liquid and lyrical, is a godsend, and Hudson uses it with Italianate imagination.

Christopher Robertson's forthright timbre and forbidding presence are equally well-suited to Germont, and he fully justifies his cabaletta.

The rest of the cast, notably Nerys Jones's Flora and Catherine Savory's Annina, gives fulsome support, and the orchestra delivers the music with love and long legato lines. Mercurio's tempi are sometimes too slow – notably in the Act 3 prelude – but he shapes the score with unerring sensitivity. With 16 more performances this autumn and a further run in the spring, ENO's *Traviata* has ample time to shake off its wooden veneer.

Sponsored by Schroders.

Glorious enigma of Eastern spirit world

Ever since the life-size terracotta army of the First Emperor of China was brought to light in the 1970s, and its soldiers obliged to march as mercenaries to the exhibition halls of the world, the tomb art of ancient China has laid a claim on the popular imagination.

The latest crop of recently discovered cultural treasures to tour from China, now at the British Museum until January 5, 1997, is arguably the most impressive to date. It will disappoint neither the punters or the buffs.

Alongside such tours-de-force as Prince Liu Sheng's 2,498-piece jade burial suit, or the magnificent assemblage of 36 bell chimes from the tomb of the Marquis Yi of Zeng, is a group of bronzes representing the archaeological enigma of the decade.

These bronzes were found, with ceremonial jade blades and elephant tusks, all deliberately broken or burnt, in two large sacrificial pits at Sanxingdui in Sichuan Province, a far-flung corner of Western China which hitherto had divulged little of archaeological interest.

Of all the pieces, the most remarkable is a forbidding 7ft high human figure raised on a plinth, its massive hands fashioned most probably to carry a huge elephant tusk. Standing beneath this 3,000-year-old bronze at the British Museum, awed by its powerful severity and baffled by its sheer strangeness, one finds oneself in good company. Not even the scholars know what god, priest, king or spirit it represents, nor anything about the people who made it nor the religion it served. There is nothing like it in Chinese art.

All that can be said for certain is that its imagery is too vivid, its manufacture too sophisticated to reflect any culture in its infancy. In striking contrast to the contemporary ritual bronzes made under the great Shang dynasty in Henan province, imposing vessels used for offerings of food and drink to deceased ancestors, these bronzes were made by a people who chose to represent the human figure and the natural world, albeit in highly stylised form.

Unearthed from the pits were bird- and human-like heads, the latter similarly angular with huge slanting eyes and brows. One on show here appears masked in gold leaf. The craftsmen of the massive standing figure even took pains to suggest a costume made up of layers of elaborately embroidered garments.

For those prepared to see this show as more than a sequence of spectacular objects, *Mysteries of Ancient China* invites an exploration of the different, and changing, attitudes of the Chinese to the after-life and the world of spirits and demons.

To this spirit world belongs the extraordinary, fantastical birds and beasts excavated from the tombs of the 5th century BC Eastern Zhou. None is stranger or more beguiling that the antlered bronze crane-like bird, originally inlaid with gold and turquoise and accorded a prominent place next to the coffin of the Marquis Yi. Was the fabulous bird there to protect him from evil spirits, or to carry his spirit through the universe? Like many another object here, its function, but not its beauty, remains elusive.

S.M.

At the British Museum until January 5 1997. Sponsored by The Times

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT

Concertgebouw Tel: 31-20-5730573

● Het Residentie Orkest: with conductor Oliver Knussen, soprano Rosemary Hardy and cellist Raphael Wallfisch perform works by Shostakovich and Britten; 8.15pm; Sep 18

ANTWERP

EXHIBITION

MUHKA – Museum van Hedendaagse Kunst Tel: 32-3-2385960

● Forms into Time: a survey of the sculpture of David Nash: this exhibition features a selection of key works by the English sculptor David Nash (b. 1945), who works in the tradition of such artists as Henry Moore, Barbara Hepworth, Richard Long, Hamish Fulton and Hamilton Finlay; to Nov 3

BERLIN

CONCERT

Konzerthaus Tel: 49-30-203090

● Sinfonieorchester des Mitteldeutschen Rundfunks: with conductor Alasdair Neale and cellist David Geringas perform works by Adams and Dvořák; 8pm; Sep 18

Philharmonie & Kammermusiksaal Tel: 49-30-2614383

● Symphony No.8 in C minor: by Bruckner. Performed by the Berliner Philharmonisches Orchester with conductor Günter Wand; 8pm; Sep 18, 19

COPENHAGEN

DANCE

Det Kongelige Teater Tel: 45-33 69 69 69

● Hamlet: a choreography by Peter Schaufuss to music by Langgaard/Sol, performed by the Royal Danish Ballet and the Royal Theatre Orchestra; 8pm; Sep 19

HAMBURG

DANCE

Hamburgische Staatsoper Tel: 49-40-351721

● Romeo and Juliet: a choreography by John Neumeier to music by Prokofiev, performed by the Hamburg Ballett and the Hamburger Symphoniker; 7.30pm; Sep 18, 19

EXHIBITION

Museum für Kunst und Gewerbe Tel: 49-40-24862732

● Goldene Gründe – Japanische Lackarbeiten: exhibition featuring some 100 objects in lacquer illustrating court life during the Edo period (17th-19th century). The show focuses on the cultural and historical context of the objects on display, including furniture, dinner-sets, ornaments and musical instruments; from Sep 20 to Nov 17

HELSINKI

DANCE

Opera House Tel: 358-0-403021

● Don Quixote: a choreography by Patrice Bart after Petipa to music by Minkus, performed by the Finnish National Ballet. Soloists include Jessica Kellgren, Oliver Matz and Jorma Uotinen; 7.30pm; Sep 19, 21

LONDON

CONCERT

Barbican Hall Tel: 44-171-6384141

● London Symphony Orchestra: with conductor Mstislav Rostropovich and violinist Maxim Vengerov perform Shostakovich's Violin Concerto No.2 and Symphony No.11; 7.30pm; Sep 19

Purcell Room Tel: 44-171-9604242

● Martin Roscoe: the pianist performs works by Haydn, Chopin, Debussy and Liszt; 1.05pm; Sep 19

Wigmore Hall Tel: 44-171-9352141

● Angela Hewitt: the pianist performs works by J.S. Bach, Beethoven and R. Schumann; 7.30pm; Sep 18

OPERA

London Coliseum Tel: 44-171-8360111

● A Midsummer Night's Dream: by Britten. Conducted by Steuart Bedford and performed by the English National Opera. Soloists include David Daniels, Lillian Watson, Miltos Yerolemou and Andrew Slater; 7.30pm; Sep 18, 21 (6.30pm)

LOS ANGELES

JAZZ & BLUES

Hollywood Bowl Tel: 1-213-850-2000

● American Airlines Jazz at the Bowl: the programme opens with "Trumpet Madness", a jam session featuring trumpet players Roy Hargrove, Terence Blanchard, Harry "Sweets" Edison, Clark Terry and Doc Cheatham, backed by a rhythm section featuring Cedar Walton on piano, John Clayton on double bass and Albert "Tootie" Heath on drums. The Carnegie Hall Jazz Band, led by Jon Faddis, follows with a set which includes tributes to Miles Davis and Louis Armstrong. Joe Williams then performs with a trio and with the Carnegie Hall Jazz Band; 7.30pm; Sep 18

NEW YORK

EXHIBITION

Cooper-Hewitt National Design Museum Tel: 1-212-860-6868

● Mixing Messages: Graphic Design in Contemporary Culture: exhibition focusing on innovation in American grahic design from 1980 to 1995. Highlights include a video documenting typography and the moving image, an interactive computer programme allowing visitors to experiment with type, and a CD-ROM display allowing visitors to experience publications in sequence; from Sep 17 to Jan 12

THEATRE

Brooklyn Academy of Music Tel: 1-718-636-4111

● Chimère: performance by the French equestrian theatre group Zingaro at Battery Park City, as part of the 1996 Next Wave Festival. Directed by Zingaro creator and artistic director Bartabas, this spectacle features 26 horses and 22 riders, dancers and acrobats, plus "The Musicians of Rajasthan", an ensemble of Indian musicians and storytellers; 8pm; from Sep 17 to Oct 13

PARIS

EXHIBITION

Centre Georges Pompidou Tel: 33-1-44 78 12 33

● James Coleman: this exhibition shows installations of this Irish artist, and is a part of the cycle "L'Imaginaire irlandais" that takes place in Paris from May until September; to Nov 18

OPERA

Théâtre National de l'Opéra – Opéra Garnier Tel: 33-1 42 66 50 22

● Hippolyte et Aricie: by Rameau. Conducted by William Christie and performed by the Orchestre et Choeurs Les Arts Florissants. Soloists include Lorraine Hunt, Anna-Maria Panzarella and Eirian James; 7.30pm; Sep 18, 20, 21

VIENNA

OPERA

Wiener Staatsoper Tel: 43-1-514442960

● La Bohème: by Puccini. Conducted by Fabio Luisi and performed by the Wiener Staatsoper. Soloists include Guiseppe Sabbatini, Giusy Devinu and Sona Ghazarian; 7.30pm; Sep 20

WASHINGTON

EXHIBITION

National Museum of African Art Tel: 1-202-357-4600

● Ceramic Gestures: New Vessels by Magdalene Odundo: exhibition featuring 15 recent works by the contemporary ceramist from Kenya, Magdalene Odundo; from Sep 18 to Jan 2

ZURICH

OPERA

Opernhaus Zürich Tel: 41-1-268 6666

● Werther: by Massenet. Conducted by Franz Welser-Möst and performed by the Oper Zürich. Soloists include Carmen Oprisanu, Dawn Kotoski and Alfred Muff; 7.30pm; Sep 18

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Martin Wolf

On a wing and a prayer

A change in the nature of pensions and greater investments in equities have made US households vulnerable to a downward correction on Wall Street

The industrial countries in the Organisation for Economic Co-operation and Development have regained low and stable inflation. Inflation among these countries, excluding Turkey – measured broadly by the deflator for gross domestic product – fell from an average of 7.7 per cent a year between 1981 and 1985 to 3.3 per cent a year between 1991 and 1995.

Yet the rapid growth expected to follow this achievement remains elusive. GDP growth, which averaged 2.5 per cent a year between 1981 and 1985, fell to just 1.6 per cent between 1991 and 1995.

None of the three big cylinders of the world economic engine is firing vigorously. This is true even of the US, where the economy expanded at an average rate of just 1.9 per cent between 1991 and 1995. But in the kingdom of the blind, the one-eyed man is king: average economic growth in the European Union was 1.5 per cent and in Japan just 1.3 per cent over the same period.

Only the US, the most flexible and best managed of the three large economies, appears well established on the path of sustained growth. Yet paradoxically, confidence that the US has swallowed the elixir of sustained growth with low inflation may threaten its continued achievement.

The nature of the danger was pointed out in this column last week. Over the past 15 years the equity market has enjoyed a glorious revaluation of corporate assets which has more than reversed their previous downgrading. Disinflation has indeed been beneficent to bulls. The real return on US equities since 1979 – some 13 per cent a year – has been double its long-term average.

Yet in an economy growing at an annual rate of less than 3 per cent, below the long-term average, such extraordinary returns to equities are not sustainable. This would be true, even if, as Ms Abby Cohen of Goldman Sachs suggests in a note published on September 11, the market's valuation of the replacement value of corporate net assets were fully justified by the fundamentals, which is far from certain.

The US economy confronts three possible fates in the medium term:

- Monetary policy turns out to be too tight and the economy deflates, Japanese-style.
- Growth picks up strongly, probably worldwide, and inflation also rises, leading to a sharp tightening of monetary policy.
- Mr Alan Greenspan, the chairman of the Federal Reserve, and colleagues steer the economy successfully, with nominal GDP expanding at a sustained rate of 4 to 5 per cent.

Under either the first or second possibility, a significant stockmarket adjustment would be probable as soon as profits disappoint or liquidity becomes tight – even if present valuations were fundamentally "right".

But a fall could also happen even if the third, economically benign possibility became a reality. Much of the money now in the market must be invested in the hope that exceptional returns will endure, and the inevitable disappointment of such expectations could precipitate a fall.

Suppose then that a big market correction were indeed to occur. How well could the economy shrug it off? The answer is: with difficulty.

First, gross private domestic investment has made a noteworthy contribution to recent US economic growth, registering a remarkable rise of 45 per cent in real terms between the second quarters of 1991 and 1996 (an annual compound rate of growth of 7.7 per cent).

This striking investment performance must have been stimulated by the high valuation placed by the market on corporate capital. Investment would be vulnerable therefore to any big market correction.

Second, households are highly exposed to the stock market and are financially stretched.

The exposure to the market is reflected in the growth of the share of pensions in the net financial wealth of US households from 19 per cent in 1980 to 38 per cent in 1994. Over the same period, the share of mutual funds rose from 1 per cent to 7 per cent.

There has also been a change in the nature of pension provision away from defined-benefit plans which usually guarantee a retirement income related to earnings at work. Pensions increasingly take the form of defined-contribution plans where the amount paid out reflects the amount of contributions paid in and the investment performance of the fund – leaving households even more directly exposed to market fluctuations than hitherto.

Between 1990 and 1994 alone, the value of equities owned by households rose from 54 per cent of disposable income to 81 per cent. As Mr Henry Kaufman, the financial commentator, pointed out on July 9: "Since the cyclical trough in March 1991, the financial net worth of the American public has mushroomed by over $5,500bn ... the equivalent of the total amount of new savings which American households accumulated over the preceding 25 years."

Nor can households rely on their low current rate of saving to rectify the damage done by any sharp decline in the value of the equities they own. This would be particularly true for middle-aged baby boomers who have only 10 to 15 years until retirement – many of whom would have to save much more to make good a significant drop in the value of their stockmarket investments.

Moreover, as Grant's *Interest Rate Observer*, that doyen of bears among Wall Street newsletters, noted in April, consumer bankruptcies, debt service costs and debt service are all growing. In 1995, for example, consumer bankruptcies were more than twice as frequent as a decade before. The OECD reports that overall financial liabilities rose from 74 per cent of household disposable income in the early 1980s to 98 per cent in 1994.

Finally, if consumers and companies were to tighten their belts, neither the government nor foreigners would be able to offset this with ease. Given the sluggishness of the Japanese and European economies, the only method for the US to obtain significant export growth to either economy would be via a massive, destabilising and highly undesirable weakening of the dollar.

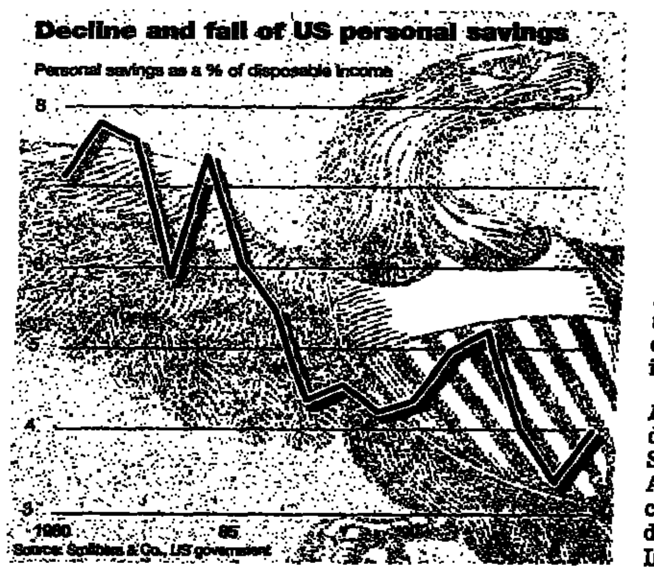
This leaves the US government as borrower and spender of last resort – a role played by the Japanese government when the bubble economy of the 1980s burst. Unfortunately, however, Washington has scorched the fiscal earth: the gross liabilities of US general government soared from 37 per cent of GDP in 1980 to 64 per cent last year; its net liabilities more than doubled from 22 per cent to 51 per cent.

This is a far worse position than Japan's government was in at the beginning of the decade: although the gross debt of Japanese general government was 62 per cent of GDP in 1991, its net debt was only 5 per cent of GDP.

People should offer a prayer for the health of the US stock market every morning. If the market were to fall sharply, it could induce a parallel downturn in the economy that the Federal Reserve would struggle to offset. Unfortunately, notwithstanding the soothing noises coming from Wall Street, such a fall is hardly improbable. Any sensible person must hope that the market remains bullish. It might be less wise to assume it will.

Decline and fall of US personal savings

Personal savings as a % of disposable income



Source: Smithers & Co, US government

Management · Peter Marsh

Simple solution in battle for controls

Siemens changed its pricing tactics to sell more machine-tool controls in Asia

The world's biggest makers of machine-tool controls are drawing up the battle lines in east Asia, which is likely to become their most important market.

Controls are a vital part of the world's machine-tool industry, worth DM60bn ($40bn) a year, because they have a big bearing on ease of use and accuracy.

The stakes are high. Siemens, Europe's biggest electrical goods company, believes that the region, excluding Japan, will account for 30 per cent of the world market for machine-tool controls in units by the end of the century. Last year its share was 18 per cent.

The forecast hinges on the rapid industrialisation of the region and demand for cheap tool controls from small businesses.

In drawing up its expansion plans for east Asia, Siemens has had to adapt concepts from the high-cost, high-skills environment of Germany to the very different conditions of a rapidly industrialising region.

"We realised we had to change and take some of the complexity out of our products," says Mr Norbert Armbrüster, Siemens's marketing director for machine-tool controls.

Behind the Siemens effort is the goal of narrowing the gap in machine-tool controls between itself and Fanuc of Japan, the world leader. Over the past two decades the Japanese company is reckoned to have outperformed its German rival, mainly because it has specialised in low-cost systems.

Out of world sales of machine-tool controls of some DM5bn a year, Siemens accounts for about one-fifth. The share of Fanuc – which sells its products in the US and Europe through a joint venture with General Electric of the US – is about 45 per cent.

Siemens is building a DM9m factory in Nanjing, China, which is to start in January, in a joint venture with the state-owned China North Industries. But its rival Fanuc already has a plant in Beijing, operated with the Beijing Machine Tool Research Institute. Fanuc says it has installed some 10,000 controls in China and claims to have 30 per cent of the market.

In its plans for the Chinese plant, which will employ 50 people, Siemens does not intend to export products from there to Germany or other industrialised nations – even though this might appear attractive given China's low labour costs.

It reckons that in this industry, where it is important to maintain good links between production staff and designers and customers, setting up factories thousands of kilometres from main markets amounts to commercial folly. "We have found from experience that you cannot make controls for Shanghai in Germany or Britain," says Mr Manfred von Raven, head of Siemens's DM7bn-a-year automation division.

The company has decided to export marketing, production and design ideas to Nanjing from its main manufacturing and development centre at Erlangen. However, it will devolve much of the control of these activities to the Chinese factory.

Siemens's approach is to divide its tool controls into "price segments". In the cheapest segment are the "economic" systems which sell for about DM6,000 – the sort which are most likely to appeal to buyers in east Asia. Up to now these systems have been sold by local suppliers rather than any of the global leaders.

Traditionally, Siemens has concentrated worldwide on its top-of-the range systems, which sell from DM22,000. But this has been out of step with the "value for money" culture in Europe and North America, as well as in east Asia. In the latter region, large manufacturers of cheap, "no-frills" machine tools – including Yamazaki Mazak of Japan, Taiwan's Leadwell, Hyundai of Korea, the UK's 600 Group, and Cincinnati Milacron and Haas and Fadal of the US – have enjoyed strong sales.

Siemens is able to compete in the lowest price segment after a rethink of product strategy in 1992. Helped by McKinsey, Siemens began a programme which lowered the cost of controls without sacrificing quality. The three-year project involved some 50 engineers and cost about DM200m.

It has come up with a "medium sophistication" system, selling for between DM12,000 and DM22,000, and will be bought mainly by makers of "jobbing shop" machine tools for use in industrialised countries. Some of the concepts from this system, called the 810-D, will also be used in the cheaper systems that will be built in Nanjing.

The basis of the 810-D system, launched in April, is a new microchip developed for Siemens by Texas Instruments. New production ideas, using Japanese-style "continuous improvement" techniques, and the introduction of teamworking also played an important role.

The overall experience from the new manufacturing methods has been good: productivity is roughly three times the level of the old method while quality, as measured by a reduction in defects, is double. Siemens wants to transfer some of the new techniques, particularly the accent on quality and teamworking, to the China plant.

"We have moved into a new world," says Mr Andreas Finck, a Siemens engineer heading the production effort.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Widen search for pension answer

From Mr E. Philip Davis.

Sir, I noted with interest in Joe Rogaly's article, "At the end of the day" (September 14/15), that UK politicians of both main parties are showing great interest in the Chilean pension system, and would like to add a further note of caution to his scepticism. The Chilean system of individual retirement accounts is clearly a significant improvement on what went before, given the near bankrupt state of the existing system in the early 1980s. But there are also weaknesses, notably very high administration costs for the personal accounts, which sharply reduce realised returns – a feature all too familiar in the UK. Such disadvantages have perhaps been eased for Chile by the high growth rate of the country and consequent high returns on financial assets.

I would urge the UK legislators to continue with a round-the-world tour taking in Singapore, and, in particular, Australia and Switzerland. All three have, like Chile, adopted mandatory funded pension schemes, but with many contrasting features (notably in terms of the role of the state, integration with social security and the role of occupational schemes), and their own advantages and disadvantages. All have lessons to teach the UK and other EU countries as they continue or commence the difficult task of reducing reliance on pay-as-you-go social security. The Dutch system, where funded schemes cover more than 80 per cent of the workforce, although provision is in principle voluntary, is also worthy of attention.

A "universal solution" to pension reform is in my view not to be found, but instead reform must be tailored, inter alia, to the structural features of existing pension funds, overall retirement income provision and capital markets, as they have developed over time. Equally, reform must draw lessons from the full range of international experience. Retirement-income security is too important a topic to be addressed by simplistic import of any given system from abroad, however well it may appear to function in its home environment.

E. Philip Davis,
Neuhausstrasse 55,
61440 Oberursel,
Germany

Potential in Belarus

From Mr David Fryer.

Sir, Your light-hearted guide "Getting by in eastern Europe" (September 9), did not mention Belarus. Possibly this was because your correspondent thought of Belarus as being at the heart of Europe. The people are friendly, well-educated but confused about how to restore living standards and economic progress. The spillover from the Chernobyl disaster in neighbouring Ukraine is costing up to a quarter of national income.

We need to recognise that they are there in order to begin to consider their potential.

David Fryer,
45 Brandreth Drive,
Parbold,
Wigan WN8 7HB, UK

Confusing messages in the Emu debate

From Mr Robert Rainford.

Sir, I'm sure that most people, like me, are increasingly confused by conflicting inputs to the Emu debate. I read in the FT that chairmen and chief executives of 15 leading UK companies (Letters, September 5) advise John Major, the prime minister, that deciding now to stay outside monetary union would be "deeply damaging". I thought John Major was keeping all options open.

On the opposite page your editorial "French woes" highlights the impact on the French economy of its Emu experiment. French gross domestic product declined 0.4 per cent in the second quarter and the secretary-general of a powerful trade union states that "all the ingredients were there for a general explosion". Your editorial highlights that French unemployment has risen from 8.8 per cent in 1990 to 12.5 per cent by July 1996.

Clearly, these are not the results one would expect from a successful experiment. It will be interesting to observe the future deterioration of the French economy as its government perseveres with the experiment – but then it's not the politicians who are suffering!

I also wonder if the 15 chairmen and chief executives are concerned about the potential economic and social implications on the UK were we to adopt a similar experiment – they appear more inclined to scaremongering with references to "disengagement from one of the largest markets in the world".

Robert Rainford,
62 Michelham Gardens,
Twickenham,
Middlesex TW1 4SB, UK

Easing the burden

From Mr Andrew Machin.

Sir, Your report "Overseas banks hit at 'red tape'" (September 12), gives a misleading impression. It confuses two quite different things: the burdens of form-filling placed on foreign banks by the Bank of England to meet supervisory requirements and the costs to businesses in general of responding to statistical surveys carried out by the Office for National Statistics.

We recently published a compliance plan, the first of its kind in the world. This describes the considerable progress we have been making to ease the burdens on businesses and sets out our plans which will reduce the compliance costs of ONS surveys overall by more than 25 per cent from the 1994 level.

Andrew Machin,
head of survey control and deregulation unit,
Office for National Statistics,
Millbank Tower,
London SW1 4QQ,
UK

Banknote exchange successfully concluded

From Mr Massimo Suriano.

Sir, The Observer item "Small change" (August 29), concerning the experience of a British journalist in Rome when withdrawing from a Banca Commerciale Italiana cash dispenser, did not, unfortunately, report the conclusion of this episode. That is to say that the apparently counterfeit L100,000 banknote dispensed, after being checked by two of our employees, was then exchanged for notes of a smaller denomination, as requested by the journalist.

Furthermore, it strikes us as rather unusual to connect the above episode with the disappointment of Banca Commerciale Italiana's shareholders after privatisation and the losses sustained by Banco di Napoli. Journalism of the Anglo-Saxon school has always set an example in the international press: are we now to fear the dangers of "continental infiltration"?

Massimo Suriano,
press relations officer,
Banca Commerciale Italiana,
Piazza della Scala 6,
Milan, Italy

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Tuesday September 17 1996

The network computer

In the year since Mr Larry Ellison, chairman of the Oracle software house, first proposed a simple Internet device to replace the personal computer, the debate has become both acrimonious and constructive.

Acrimonious because Mr Ellison has made the issue a grudge match with Mr Bill Gates, chairman of Microsoft and the uncrowned king of the PC era. Constructive because it has taught the industry some useful lessons, evident in the two men's speeches yesterday.

The first is that a new computer type can be brought to market remarkably quickly, if there is the desire and energy to do so. The Network Computer, Mr Ellison's brainchild, will be available in a number of different commercial variants within a matter of weeks, barely a year since he first proposed it.

The second is that there is a huge pent-up demand for simplicity and ease of use among computer users. Even if the Network Computer does not achieve the sales its proponents hope, it will certainly produce a renewed emphasis on usability from conventional PC manufacturers and software writers.

The third is that the industry needs to respond to the rumbling discontent among large companies about the cost of owning and running their personal computers. Although Mr Ellison proposed the Network Computer as a device his mother could use, it looks likely to achieve its first sales to companies seeking to give their staff simpler, cheaper computers that are easier to support.

The risk for the Network Computer is that these lessons will be adopted so enthusiastically by the mainstream PC industry that there is little market for the new gadget. Microsoft's strategy to "embrace and extend" the Internet shows how dangerous that threat can be.

The opportunity, however, fully matches the risk. It is to take the Internet and the computer to a mass consumer audience. This requires more than cheap hardware and well-designed software. It requires the creation of an entire business system, including high-capacity network connections at home and a series of strategic alliances with cable and telecommunications companies. These will allow individual consumers to buy a package of Network Computer rental, software, high-capacity network connection and Internet access for a flat fee every month.

Mr Ellison has demonstrated that Network Computers can be built; the question now is how many can be sold. The commercial race has only just begun. Getting the Network Computer to the starting line is a substantial achievement, but the real challenge lies ahead.

Wrong Target

City of London financial institutions have been working themselves into a lather in recent weeks over European monetary union. Some worry that Britain's financial centre will find itself at a disadvantage as a result of the UK's exercising its opt-out from Emu; others that not enough is being done to prepare for union by British-based banks. Many seem to think the Bank of England should be doing more either to fight Britain's corner or to take the lead in preparing the City for life with Emu.

In this case, the Bank's critics are misguided. They fail to recognise both the limits on what the Bank can achieve in Europe and the extent to which answers to their Emu problems lie in their own hands.

In truth there are two quite separate aspects to the preparations for monetary union. There are the intellectually demanding practicalities of payment systems, legal and taxation issues and financial market implications on the one hand, and delicate political questions concerning relations between those inside and outside Emu, the conduct of monetary policy and so forth on the other.

The Bank of England has a valuable role to play in both sides of the debate, but it does not hold the key to either.

On the practical questions, the Bank's latest progress report published yesterday provides exhaustive detail – complete with diagrams placing it at the centre of an elaborate spider's web of committees – on its co-ordinating activities in the City. On the politics the picture is muddier, thanks in part to the continuing wrangle between European central bankers over access to the interbank payments system known as Target.

As Mr Eddie George, the Bank's governor, said in yesterday's FT, this is a trivial matter in itself: alternative payment systems will always be available. The worry concerns the competitive overtones relating to the interests of a London outside Emu and rival financial centres likely to be within it such as Paris and Frankfurt.

Here the Bank of England has to tread with care. It cannot be seen to take too partisan a stance in defence of London for fear of tainting its advice in Europe on other aspects of Emu. In any case, it would be pressed to produce a simple definition of London's interests: the City's strength rests on diversity, and on the growing contingent of non-British institutions, not on the presence of a powerful nanny.

The sensible course for Mr George is thus the one he is charting: to argue strongly in principle for solutions likely to foster efficient financial markets for Europe as a whole, while keeping British-based banks informed of the issues and opportunities. Beyond that, the responsibility is theirs.

Latin recovery

Latin America's rebound from the Mexico-induced gloom of 1995 has been surprisingly rapid. Growth this year for the region should reach 3 per cent after a meagre 0.3 per cent last year, the UN Economic Commission for Latin America and the Caribbean declared last week. Most private-sector economists expect growth of at least 4 per cent next year and a further acceleration in 1998.

Optimism is rife in the financial markets. Prices of Brady bonds, the repackaged bad bank loans to Latin American and other developing countries, reached an all-time high on Friday, breaking through the previous peak set in mid-January 1994.

Growth owes much to higher exports and a recovery in foreign capital flows. At a probable $60bn, the net investment flow this year is likely to be close to the peak years of the early 1990s. Better still, more of this investment is longer term than it was then. Half of the flow will be due to foreign direct investment; much of the rest is in bonds, whose average maturity this year was extended beyond five years.

External factors have helped a lot. Although Mexicans may see it as small consolation after their economy contracted by 7 per cent last year, their financial crisis could scarcely have come at a better moment. US growth is slightly above trend, helping exports, while US short-term interest rates have been stable. Although long-term US bond yields have been climbing, they have not been volatile.

Governments have used this breathing space to improve their financial position in case of another shock. But the real problem they face is political. Growth, with rare exceptions, has been too anaemic to improve the lot of the poor and has not generated much new employment. It thus becomes harder and harder for the region's governments to persuade their electorates that orthodox economic policies are worth sticking to.

Moreover, because of the region's lack of internally generated savings (except for Chile), it still remains too dependent on the mood of the world's capital markets, in particular those in the US. Research by IMF economists in 1992 suggested some 50 per cent of foreign capital flows into Latin America were tied to short-term US interest rates.

Even assuming that percentage is now lower, the region's economic fortunes remain tied too closely for comfort to the US interest-rate cycle. Investors would be unwise to assume that a rise in US rates would be a matter of little moment to Latin America.

The FT Interview • Robert Crandall

When less really means more

The chairman of American Airlines tells Michael Skapinker why the link with British Airways will boost competition, not reduce it

Mr Robert Crandall, chairman of American Airlines, likens opponents of his proposed alliance with British Airways to families who move into a pleasant suburb, build a house and then try to prevent others from doing the same.

The crusty Mr Crandall, president of American since 1980 and chairman for more than a decade, points out that most of the airlines opposing his tie-up with BA have alliances of their own.

"The opposition is coming from a bunch of folks who don't want to see more competition," says Mr Crandall. "They would much rather compete against us and BA individually. All the gnashing of teeth is about one very simple thing: they would rather not have to compete against what they've already got."

United Airlines of the US has an alliance with Lufthansa of Germany. Northwest Airlines, also of the US, has a tie-up with KLM of the Netherlands. Delta Air Lines, based in Atlanta, has similar arrangements with Swissair, Austrian Airlines and Sabena of Belgium. Delta also has a less extensive tie-up with Virgin.

BA and American plan an alliance that would co-ordinate their schedules and share revenues on transatlantic services, which include 60 per cent of flights between the UK and the US. But the alliance, announced in June, has attracted vociferous opposition from all the large airlines in the US and from Mr Richard Branson, chairman of Virgin Atlantic, in the UK.

Competitors say it would drive up fares between the UK and the US on the world's busiest international air routes. They also criticise the overwhelmingly strong position the two airlines would have at London's Heathrow, the busiest international airport.

"The AA-BA alliance is about nothing more or less than putting ourselves in a situation where we are *pari passu* with the other alliances," says Mr Crandall. "Our alliance simply mirrors what has happened in international aviation."

He expresses particular scorn for Mr Branson's attitude, both to the planned alliance and to airline competition generally. As well as opposing the BA-American tie-up, Mr Branson recently said he would report Scandinavian Airlines System to the European Commission for lowering its fares on the Brussels-Copenhagen route, on which Virgin has begun to operate.

"Our friend Branson's out there complaining: 'My God, my God, SAS matched my prices'. What did he think SAS was going to do? Jump into the North Sea?"

Mr Crandall's support for the alliance with BA might appear to be slightly awkward in one respect: for years he campaigned against such links, alleging they were a fraud on the consumer. This, he said, was because alliance partners sell each other's flights as if they were their own. Travellers buying tickets for a long-distance flight might unexpectedly find themselves flying part of the way on the alliance partner's aircraft.

Mr Crandall briskly dispenses with the awkwardness. Code-sharing is still a deceit, he says, but something has changed: "Governments have said deceit is good." The US authorities have given their approval to the alliances between United and Lufthansa, KLM and Northwest, and between Austrian, Swissair and Sabena.

In all these cases, the US government has concluded an "open skies" agreement with the government of the relevant European country. These agreements allow airlines from the US and the European states concerned to fly to any airport in each other's country without the approval of either government.

In return, the alliances have received anti-trust immunity from the US government. This means they can in effect operate as single airlines, collaborating in a way which, in the words of one US airline executive, "would otherwise land you in jail".

"Governments set the rules," says Mr Crandall. "Businesses play within the rules. What's happened is that the governments of the world have changed the rules. The governments have said, 'We want to encourage globalism, so-called. So we want the airlines to form themselves into these alliances and networks.' Now that the rules have changed, we and BA have little practical choice [but to form an alliance] if we want to be successful competitors."

Once the alliance with BA is completed, fares across the Atlantic will go down, Mr Crandall says – not up, as competing airlines insist. Opponents reply that the idea of prices going down when the two largest companies in a market combine their operations is a novel contribution to economic theory.

But Mr Crandall say this fails to take account of the open-skies agreement between the UK and the US which would accompany the formalising of the alliance. The US has made the reaching of such an accord a precondition for approval of the BA-American tie-up.

Under the present UK-US agreement, American and United are the only US airlines permitted to use Heathrow. Once the open-skies deal is in place, he says, any US airline will be able to fly to Heathrow.

"You're going to have four or five more of the biggest airlines in the world flying non-stop to Heathrow from the United States. It's simply inconceivable that prices would do anything but go down.

"Richard [Branson] will tell you at great length about how Virgin, with one airplane, was able to bring prices down across the Atlantic. Well, if he was able to bring prices down with one airplane, what do you suppose is going to happen when there are 20 more non-stop routes from Heathrow into US hubs?"

Mr Crandall also rejects the view, expressed by his opponents, that the BA-American partnership would be more powerful than competing alliances. The combination would be smaller, he says, than the Lufthansa-United and KLM-Northwest alliances in the number of destinations it will offer.

He adds that BA and American, with 40 per cent of Heathrow slots, will control a smaller proportion of take-off and landing slots at Heathrow than the other large alliances have at their European hubs. For example, Lufthansa and United have 63 per cent of the slots at Frankfurt airport, he says, while KLM and Northwest have 53 per cent at Amsterdam's Schiphol.

Competing airlines retort that while slots are usually available at Frankfurt and Schiphol, Heathrow is full. The US government makes the same point and officials in Washington say Heathrow will have to make openings for competing airlines if the BA-American tie-up is to be approved.

Mr Crandall insists that obtaining slots at Heathrow is not a problem. There are now 45 airlines operating at Heathrow which were not there five years ago, he says. Virgin has substantially increased its Heathrow slots over the past few years. BAA, the airports group which owns Heathrow, has achieved great success in increasing the number of slots available through more efficient use of runways.

Like Mr Robert Ayling, BA's chief executive, Mr Crandall says the quickest way to make slots available at Heathrow would be to permit airlines to buy and sell them, as happens in the US. "There would be no shortage because there are lots and lots of people that operate at Heathrow who would willingly sell their slot and go off to Stansted and Gatwick."

Airline executives say this happens already. The European Commission, however, has expressed doubts about whether buying and selling slots is legal. The reason for that, Mr Crandall says, is "the European Union doesn't really believe in competition".

Mr Crandall concedes that if the right to buy and sell slots is not accepted, competing airlines will find it difficult to establish themselves at Heathrow immediately. Would BA and American then be prepared to give up some of their slots?

"We're prepared to make commercially reasonable accommodations to get people in in the near term," Mr Crandall says. "Now everybody keeps saying, 'What does that mean?' We're prepared to make a commercially reasonable deal. We're not prepared to give away the store."

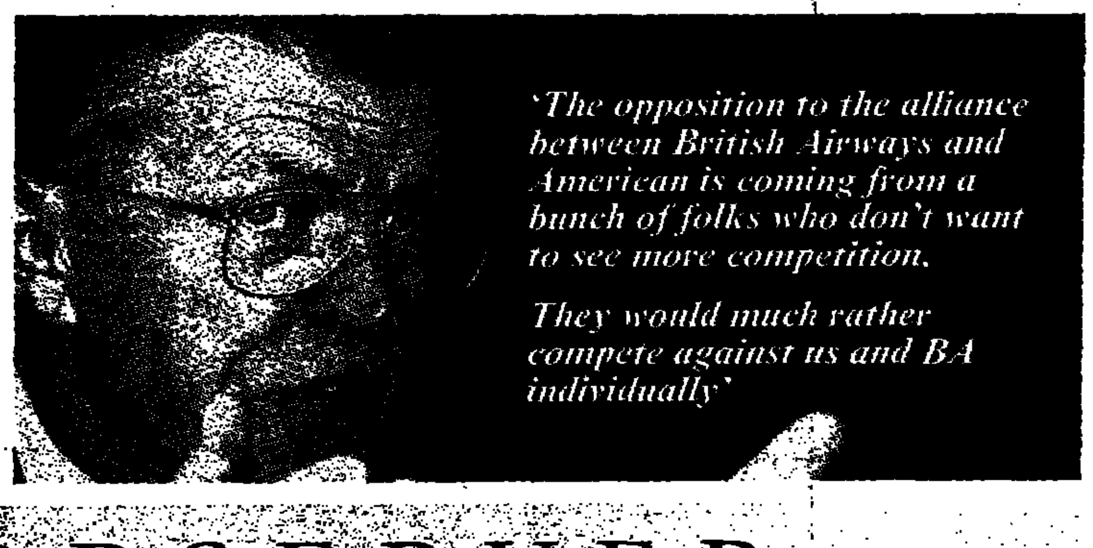
United and Northwest, however, will not be among the airlines that can expect to obtain slots from BA or American. KLM has sufficient slots at Heathrow to provide for Northwest's needs, he says. United gave 25 per cent of its Heathrow slots to Lufthansa.

What if he fails to win over the opposition to his deal with BA? "We think British Airways is the best potential partner but there are many other potential partners out there. If we can't do a deal with British Airways, we'll do a deal with one of them."

The reality, however, is there are not many potential partners. Apart from BA, Air France is the only large European airline without an alliance partner. Mr Crandall is known to have had a long look at Air France, but decided that its labour and financial problems made it unsuitable.

Mr Crandall insists, however, that Air France is not the only option. Who are the others? Airlines already in alliances, he says. "Some of these alliances are permanent, others are going to fall apart."

American would prefer to do its deal with BA. If not, he says, he will go elsewhere.



OBSERVER

Moscow [illegible]

■ [illegible] Sovietchenko [illegible] Soviet finance [illegible] by US academic [illegible] Sachs "the [illegible] to the world" [illegible] full and [illegible] against those [illegible].

When Morgan Grenfell's [illegible] the headlines, [illegible] has built a [illegible] commercial [illegible] by freezing [illegible] lines of credit and [illegible] on a letter of [illegible] concerning its [illegible].

The [illegible] bankers at Morgan Grenfell haughtily [illegible] their parents at Deutsche Bank were well able to foot any losses they might run up in Moscow. The lines of credit were [illegible] restored and it transpires, unsurprisingly, that the bank had been in the black all the while.

On the evidence of recent [illegible] in Moscow, however, [illegible] has a new spring to [illegible].

Golden tongue

■ [illegible] of being called a [illegible], has the Foreign Office possibly made a gold-plated mistake during its well-publicised investigations into Nazi bullion?

The FO, whisper it softly, may have managed to mix up its dollars with its Swiss francs – meaning it could have overestimated the elusive Swiss bullion mountain by a factor of three.

Everyone agrees that Switzerland handed over about $60m of looted German gold at the end of the war. What is much less clear, however, is what quantity of gold remained behind.

The US believes Switzerland was sitting on $200m at the start of negotiations, which would have dwindled to a mere $140m after the Swiss handed some over.

But the FO appears to have stumbled on a much higher estimate of $500m, arising from a reported "slip of the tongue" by Alfred Hirs, number two at the Swiss National Bank during the war.

Slip of the tongue? Slip of the pen more like: Swiss academics who have studied the transcripts of Hirs's meeting now say he was calculating in Swiss francs and not US dollars, which would imply a sum roughly the same as the $130m initially demanded from the Swiss by the Allies.

On that basis, Switzerland handed over nearly half the Nazi gold in its vaults, not a mere 10 per cent. But who's going to ruin a good story for the sake of a few hundred million?

Ab Veba-lous

■ If you're in telecoms in Germany these days but are not called Deutsche Telekom, you end up having to make an awful lot of noise.

That at least seems to be the principal upon which Veba is operating.

Yesterday the Düsseldorf-based conglomerate was busy trumpeting a new deal with Ruhrgas, Germany's biggest gas distributor, which would give Veba access to a 4,000km glass-fibre network.

Ruhrgas, in turn, is supposed to herd together the other 15 or so German gas networks in order to create a properly nationwide telecoms network.

The snag? Any other telecoms operator who needs to transport telecoms services can also get access to the network if, as Ruhrgas put it, "the money is right". This sounds familiar. Two years ago, Veba said it was going to become the exclusive partner of Deutsche Bahn, the federal railway network. Nothing happened.

Then, at the beginning of this year, Veba said it would pool its telecoms infrastructure with Mannesmann, the engineering and telecoms group. When Mannesmann then actually clinched a bigger and better deal with DB, it wasn't much minded to talk to Veba – which is now scrambling to get the gas networks together.

Muck and Brass

■ Lester Brown, the US environmental guru dubbed the "prophet of doom", has come a long way since the days when he was earning $4,980 a year with the US Department of Agriculture.

Today, he cheerfully reveals he can command $25,000 a speech – twice during the past fortnight in Japan – from multinational corporations eager to hear his views on the impending global food and population crisis.

He reckons it all goes to show how the threat to the environment is being taken more seriously by both government and business. Speaking engagements like the one in London today – addressing agricultural issues for the benefit of fund managers – do not command anything like such generous fees.

But they all help to swell the coffers of his Washington-based Worldwatch Institute, which sounds "alarm calls" designed to warn the planet of impending disaster.

Should keep them busy.

The Financial Times

100 years ago

Mexican Prosperity
The Mexican President has been able to take a very favourable view of the financial outlook in his Message to Congress. The improvement in Revenue has been fully maintained during 1895-96. The internal prosperity of the country, aided as it has been by the depreciated currency, is thus having a marked effect. Indeed, so substantial is the improvement, due to the energetic development of the resources of Mexico, that the President hopes that some of the more heavy taxes will be lightened. On the whole, Mexico seems on the high road to substantial prosperity, and this will not be grudged to the country, considering the plucky fight made in the past against adverse circumstances.

50 years ago

N.Z. Textile Controls
New Zealand is to remove controls on the import of many lines of textile goods, an announcement issued by Mr. Daniel G. Sullivan, Minister of Industries and Commerce, disclosed yesterday. Importers will have more freedom to import types of goods chosen by themselves, but not necessarily in a greater quantity than when controls operated, the announcement said.

FINANCIAL TIMES
Tuesday September 17 1996

Enlargement raises fears of destabilisation

Finnish PM cautions on Nato growth risks

By Hugh Carnegy in Stockholm

Finland's prime minister warned yesterday that the process of Nato enlargement risked isolating three newly-independent Baltic states.

Mr Paavo Lipponen publicly questioned whether US policymakers really knew what they were doing. He warned that if enlargement "went wrong" it could result in Europe being divided into new spheres of interest between Russia and the west.

"That is why I am asking the Americans if they realise they are riding not a tiger but the bear," he said. "Do they really know what they are doing? Is this Nato enlargement really well thought out? I still don't get what the real goal is."

Finland and Sweden, which are both neutral, are deeply concerned about the position of their near neighbours – Estonia, Latvia and Lithuania. They were formerly part of the Soviet Union and now want to join Nato and the European Union.

Russia is opposed to the three states joining Nato, which in turn has signalled they cannot be admitted in the foreseeable future.

Finland and Sweden are afraid a decision either way will destabilise the Baltic area, either by provoking Russia or compromising the independence of the Baltic states.

Instead, they are seeking to entrench regional security through broad co-operation, ranging from trade to joint crime fighting, rather than through military alliances.

"It is a much bigger process than people thought," Mr Lipponen said. "It is not just a question of whether this or that country will enter [Nato]. It is obviously about security from A to Z."

The prime minister ruled out suggestions voiced in Europe in recent months that the issue of the Baltic states be solved through the creation of a regional security zone led by Helsinki and Stockholm.

Mr Lipponen also called on Finland's EU partners not to hinder the Baltic states' bid to join the EU, which Helsinki strongly supports and which Russia does not oppose. "There are many in Germany and elsewhere who would like to treat the Baltic states as a group – so they could only enter as a group. This is not fair. This would mean a delay in their membership for 10 or 15 years," he said.

Mr Lipponen reiterated that Finland would decide whether to enter its currency, the markka, in the European exchange rate mechanism "during the autumn". The financial markets expect the move within weeks.

Italian railways chief held in fraud inquiry

By Andrew Hill in Milan

Mr Lorenzo Necci, the chief executive of Italy's state railway company, has been arrested as part of an investigation into allegations of corruption, embezzlement, fraud and abuse of office.

Police yesterday arrested Mr Necci – one of Italy's most prominent state-sector managers – at his seaside residence near Rome, in a move which sent shock waves through the country's business and political community.

Three other people – Mr Francesco Pacini Battaglia, a Swiss financier, his secretary Ms Eliana Pensieroso, and an Italian businessman, Mr Emo Danesi – were also arrested in connection with the same investigation.

Mr Alberto Cardino, a prosecutor in the port of La Spezia, said the investigation was linked to the Ferrovie dello Stato (FS), the state railway company, but refused to go into detail.

FS is one of Italy's largest public enterprises, heavily involved in large infrastructure projects, including the ambitious plan to link Italian cities to the European high-speed train network, a project Mr Necci had championed. Mr Necci has also headed an attempt to restructure the state railway and return it to profit.

"A management void at this stage could be fatal for the solidity of the company," said Mr Walter Cerfeda, a senior official in the CGIL trade union.

Mr Walter Veltroni, deputy prime minister, said the government would make sure that the commitments undertaken by the state railway were maintained.

Mr Necci, 57, is the most prominent Italian industrialist to be arrested since the height of the anti-corruption investigations in 1993.

He has been chief executive of FS since 1990 and started his state-sector career in 1975 with the chemicals arm of Eni, the oil and gas group.

He rose to become chairman of Enimont, the ill-fated joint venture between Eni and Montedison. Mr Necci resigned in 1990 after falling out with the controversial head of the Ferruzzi-Montedison industrial group, Mr Raul Gardini, who committed suicide in 1993 while under investigation for bribing politicians to smooth his exit from the Enimont venture.

Mr Cardino said magistrates would probably begin questioning those arrested tomorrow. He said his office was also looking into allegations of crimes against the public administration and falsification of accounts.

THE LEX COLUMN

Sharing the pain

Yesterday's deal between Bayer and Roche in US over-the-counter (OTC) medicines is a double disappointment. For a start, neither side seems wholly committed to the new joint venture. While Bayer is injecting its analgesics, it is retaining control of its Aspirin and Alka-Seltzer brands. Meanwhile, Roche is contributing its painkillers and anti-infectives, but not its larger-selling vitamins. As a result, the joint venture will have initial sales of only $275m a year, enough to push Bayer from fifth to third place in the US self-medication market. But it will still be a long way behind industry leaders Johnson & Johnson and American Home Products. In an increasingly competitive market, where size translates directly into the number of retailers covered and the shelf space awarded, this is a big disadvantage.

An even greater let-down was felt by those waiting for a big deal from Roche – after all, the Swiss group has a clear policy of being among the top three globally in its chosen areas of business. As the agreement with Bayer shows, this does not always have to be achieved through eye-catching acquisitions. Another low-key alliance is likely in clinical diagnostics, where Roche is only number 12 or 13 worldwide. In the longer term, however, the group will have to address the fact that in its core business of prescription pharmaceuticals, mergers and takeovers elsewhere are pushing it steadily down the global rankings.

BA/American

Mr Robert Crandall, American Airlines' chairman, yesterday rightly acknowledged the need for British Airways and American to give up some of their valuable Heathrow slots. To keep the regulators sweet over their planned alliance, this is no more than realpolitik. Moreover, the two airlines are unlikely to have to give away too much. For one thing, putting together BA and American's overlapping networks will probably yield up some spare slots anyway. For another, BA and American will not be the only potential sources. If "open skies" at Heathrow happens, the first destination for would-be transatlantic competitors will be short-haul operators which could relatively easily transfer to other London airports, selling their slots at juicy prices to long-haul operations. They must be licking their lips at the very prospect.

The real problem would be a forced disposal of slots for no payment – as, inevitably, BA and American's competitors would like. There is no case for this. If the airlines were being told by competition authorities to dispose of aircraft rather than slots, nobody would expect them to be given away free. Slot rights are no different: although the legal position over ownership is deeply fuzzy, in practice they are discreetly traded all the time. The sooner European regulators grow up and recognise that slot rights are a valuable asset which should be exchangeable like any other, the better.

Emu

The Bank of England's cool-headed noises about the City of London's preparations for Emu should help draw the curtain on the often fanciful debate over the summer. The Bank is responding to the increasing thirst for knowledge about the practical implications of a single European currency. But it convincingly argues that there is no need for a top-down Grand Plan.

The importance in all of this of the row over Target, the cross-border payments system, has been given a false perspective. Yes, there are unresolved policy issues that could yet deny the UK full access to Target. Yes, it is possible that France and Germany may gang up on the UK so long as it remains lukewarm about Emu. But it is extremely difficult to believe that this, probably pessimistic, scenario seriously threatens the City's pre-eminence as an international financial centre. It is quite possible for global banks to operate from London without access to Target, with little financial penalty.

More generally, the strong trend in banks towards centralising trading activity in one location in each time zone strongly favours London. The City's critical mass in terms of market share across a huge range of cross-border activities, the depth of skilled personnel available and the huge diversity of institutions all remain compelling comparative advantages. Complacency would be misplaced; other centres are hungry for business. But there is no crisis either, and the Bank's light touch is therefore the right one.

PFI

Surely politicians will one day tire of promising to rejuvenate Britain's private finance initiative, the government's attempt to attract private capital into infrastructure projects hitherto funded by public money. The real problem is not so much that the PFI has flopped; it is that expectations of its prospects have become unrealistically overblown. And with each hyped speech, the problem gets worse.

The latest to succumb is Mr Tony Blair, Labour opposition leader. But the construction industry would be unwise to get too excited over Mr Blair's "practical proposals". A clear set of government priorities; getting specialists in to negotiate the nitty-gritty of deals; better training for civil servants – this is all good, worthy stuff. But it adds up to little more than the present government has been trying, with mixed success, to achieve for years.

On the case for a pragmatic approach to risk-sharing, Labour hits a more serious point. This, though, is dangerous territory. The most obvious way to add impetus would be to dump less risk on contractors and more on taxpayers. But there are snags. For a start, risks are best left with those who can best manage them – usually the project promoter. And if the taxpayer ends up with too much risk, projects would rightly have to be included in the public sector borrowing requirement, just as a company's balance sheet has to include finance leases. Unless he can ingeniously rethink the rules Mr Blair is stuck in precisely the same dilemma as the present government: between his enthusiasm for the PFI and his proud claim to hair-shirted fiscal discipline.

Additional Lex on Hays, Page 24

UK warned on open skies

Continued from Page 1

US are not going to permit cabotage."

He also said there was little short-term prospect of the foreign ownership limit on US airlines' being lifted to 49 per cent, as in the EU. He said that, while this could eventually happen, it would require Congressional legislation and would face union opposition.

"I don't believe there's any European airline that wants to buy a US airline. It's been one of the most miserable businesses in the world."

Mr Crandall dismissed speculation that BA and American might attempt to set up their alliance without anti-trust immunity. He said that, without immunity, they would not be allowed under US law to co-operate closely enough to make an alliance worthwhile.

Software

Continued from Page 1

Microsoft's aim was to develop more complex software allowing new ways of communicating with the computer.

He talked of computers capable of seeing, listening and learning. "I see the PC becoming richer and richer until it really becomes a device which fulfils all these promises," he said.

Mr Gates also conceded that "there are going to be a range of (computing) devices", although he emphasised that despite Mr Ellison's enthusiasm for the network computer, "we can't go back".

Chinese minister defends Beijing's economic policy

By Tony Walker in Beijing

Mr Zhu Rongji, China's senior vice-premier responsible for the economy, yesterday gave a spirited defence of his policy, saying the economy was doing better than at any time since the boom of 1993.

Mr Zhu appeared to be answering concerns of Chinese and western economists about slowing activity, bulging inventories and poor state sector performance.

China, Mr Zhu told a conference in Beijing, had met economic targets announced earlier this year at the annual session of the National People's Congress, China's parliament. "Some are even better than expected," he said.

China has cut inflation from a post-1949 high of 21.7 per cent in 1994 to 6.9 per cent in the first seven months of this year. Gross domestic product growth stood at 9.8 per cent in the first half, but economists believe official figures exaggerate real activity.

They say demand is weak in many sectors, citing the build-up of unsold goods such as consumer durables and cars. China's accounts indicate the build-up of stocks is about 5 per cent of GDP.

But Mr Zhu, who instituted tough credit restrictions in 1993 to calm an overheating economy, rejected concerns about slowing demand. "The rise in overall national economic demand had exceeded the speed of economic growth, and no problem of stagnant demand existed," he said.

China has cut interest rate twice since May to stimulate activity, but economists argue that Beijing should ease credit restrictions for investment in fixed assets to preserve growth at sustainable levels.

China's growth target this year is between 8 and 9 per cent compared with more than 10 per cent last year. But activity is patchy, with the country's north-east industrial heartland in deep recession.

Mr Zhu blamed a disastrous state sector performance – state-owned enterprises had their worst six months on record – on outdated management and products that could not find a market. He insisted losses were not attributable to falling demand.

Mr Zhu said state sector problems were due to difficulties accumulated over many years and could not be solved by a relaxation of credit.

Mr Zhu has made fighting inflation his watchword since 1993 when he took on the reins of governor of the People's Bank, the central bank. In July of that year he was responsible for instituting a tough credit squeeze to slow demand and end spiralling inflation.

The measures have had considerable success in bringing down inflation while maintaining growth, but the economy may be slowing faster than is desirable.

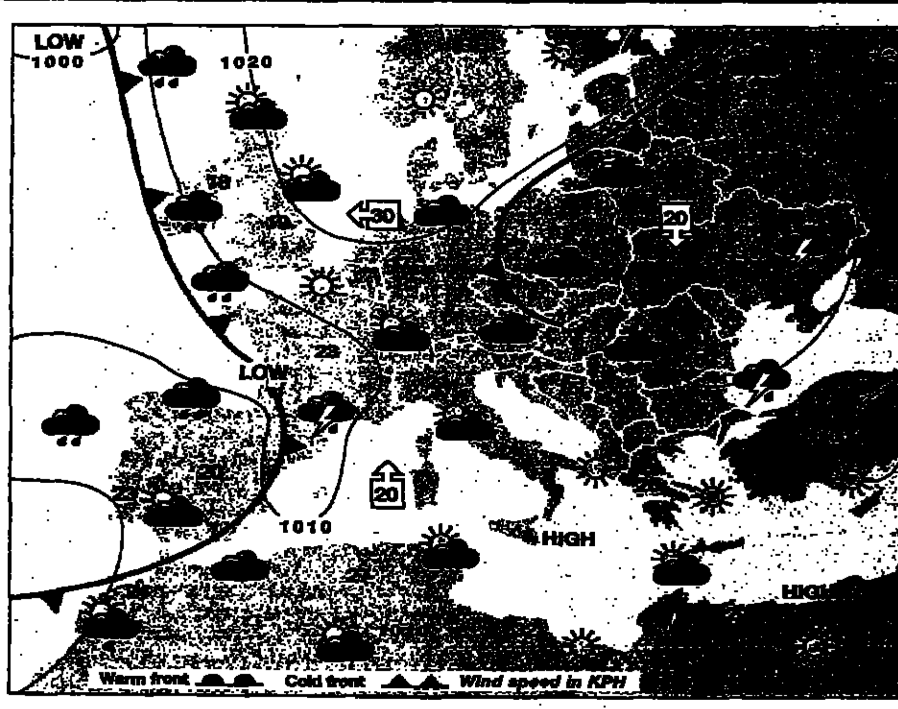
FT WEATHER GUIDE

Europe today

Sunny spells with temperatures between 15C and 20C are expected over most of north-western Europe. A front over the Atlantic will bring rain to the western part of Ireland, the far west of Cornwall and southern France. Sunny spells and cloud will be interspersed over the Iberian peninsula. Scandinavia will be fair, though temperatures will barely reach 15C in this region. Thunder storms will develop around the Black Sea and there will be a few over the Balkans as well. Cloudy periods and rain in eastern Europe and Russia will all be caused by an area of low pressure over the Ukraine. Italy and the Alps will be mainly fair with just an odd shower.

Five-day forecast

Western Europe will have sunny spells as high pressure stays over Scandinavia. Frontal systems will bring rain to France and Spain. Heavy thunder storms are expected over Greece and southern Italy on Friday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	fair 28	Caracas	thund 32	Faro	fair 24	Madrid	shower 21	Rangoon	thund 32
	Celsius	Belfast	fair 18	Cardiff	sun 19	Frankfurt	sun 15	Majorca	cloudy 25	Reykjavik	rain 13
Abu Dhabi	sun 37	Belgrade	cloudy 15	Casablanca	cloudy 24	Geneva	fair 19	Malta	sun 27	Rio	thund 23
Accra	cloudy 28	Berlin	cloudy 13	Chicago	fair 18	Gibraltar	shower 24	Manchester	fair 18	Rome	fair 24
Algiers	cloudy 27	Bermuda	fair 29	Cologne	sun 16	Glasgow	fair 18	Manila	thund 32	S. Frsco	fair 23
Amsterdam	sun 17	Bogota	fair 19	Dakar	thund 30	Hamburg	fair 15	Melbourne	fair 20	Seoul	shower 28
Athens	sun 28	Bombay	shower 32	Dallas	fair 30	Helsinki	sun 14	Mexico City	fair 27	Singapore	fair 32
Atlanta	thund 29	Brussels	sun 17	Delhi	fair 34	Hong Kong	shower 31	Miami	fair 33	Stockholm	sun 16
B. Aires	sun 24	Budapest	cloudy 14	Dubai	sun 38	Honolulu	fair 32	Milan	cloudy 21	Strasbourg	sun 16
B.ham	sun 18	C.hagen	cloudy 14	Dublin	fair 18	Istanbul	fair 19	Montreal	fair 19	Sydney	sun 26
Bangkok	thund 33	Cairo	sun 31	Dubrovnik	sun 19	Jakarta	shower 32	Moscow	cloudy 11	Tangier	shower 23
Barcelona	rain 22	Cape Town	shower 15	Edinburgh	cloudy 17	Jersey	fair 18	Munich	fair 13	Tel Aviv	sun 28
						Karachi	fair 33	Nairobi	fair 31	Tokyo	thund 25
						Kuwait	sun 42	Naples	fair 22	Toronto	fair 18
						L. Angeles	sun 25	Nassau	fair 32	Vancouver	fair 17
						Las Palmas	sun 28	New York	rain 20	Venice	cloudy 19
						Lima	fair 19	Nice	cloudy 21	Vienna	cloudy 14
						Lisbon	cloudy 22	Nicosia	sun 32	Warsaw	shower 10
						London	sun 21	Oslo	sun 16	Washington	thund 24
						Lux.bourg	sun 15	Paris	sun 19	Wellington	fair 14
						Lyon	fair 20	Perth	shower 20	Winnipeg	fair 19
						Madeira	fair 25	Prague	cloudy 11	Zurich	fair 16